S. Hrg. 99-302, Pt. 3

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 3424

AN ACT MAKING APPROPRIATIONS FOR THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION, AND RELATED AGENCIES, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1986, AND FOR OTHER PURPOSES

PART 3—(Pages 1–1008)

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Corporation for Public Broadcasting
Department of Education
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
National Commission on Libraries and Information Science
National Council on the Handicapped
National Labor Relations Board
National Mediation Board
Occupational Safety and Health Review Commission
Prospective Payment Assessment Commission
Railroad Retirement Board
U.S. Soldiers' and Airmen's Home

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

TUESDAY, APRIL 16, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:28 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, Proxmire, Chiles, and Inouye.

DEPARTMENT OF EDUCATION

SECRETARY OF EDUCATION

STATEMENT OF WILLIAM J. BENNETT, SECRETARY OF EDUCATION

ACCOMPANIED BY:

GARY L. BAUER, DEPUTY UNDER SECRETARY, OFFICE OF PLANNING, BUDGET AND EVALUATION
SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE
WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE

INTRODUCTION OF ASSOCIATES

Senator WEICKER. This morning's hearing begins the subcommittee's review of the fiscal year 1986 budget of the Department of Education under the direction of its new Secretary, William J. Bennett. We welcome you in your first appearance before the subcommittee, Mr. Secretary.

Please introduce your colleagues and proceed as you wish.

ADMINISTRATION—REPUBLICAN LEADERSHIP COMPROMISE

Secretary BENNETT. Thank you very much, Mr. Chairman, Senator. This is Ms. Christensen on my left; Mr. Bauer on my immediate right; Mr. Dingeldein on my far right.

I would like to make a brief statement in light of the fact that we submitted a written statement to you on April 4. Events occurring since then, I think, require some updating. As you know, on Thursday, April 4, representatives of the administration met with the Republican Senate leadership and agreed on a number of important budget compromise proposals. Again, as you know, my prepared testimony for today's hearing was submitted for review on April 4.

Let me just take a few moments to summarize the key elements of our compromise as it affects the Department. With your permission, too, Mr. Chairman, I would like to submit for the record a more detailed fact sheet describing the compromise policies, a comprehensive summary of them.

COMPROMISE STUDENT AID BUDGET

The major change, the most important thing to come out of the compromise, of course, is a compromise on the student aid budget in higher education. The agreement includes the following major student aid policy elements; that is, changes from what we submitted to you earlier. First, it would establish a cap on allowable education costs at $8,000, affirming the fundamental principle that the Federal role is primarily one of providing access to good education. The cost cap is more targeted on the needy than an award cap, as it results in more awards that vary with a family's ability to pay. Also, the $8,000 cost of education cap will allow substantially higher amounts of aid for students in lower- and middle-income families to enter higher cost institutions. Second, it would change the eligibility limit for heavily subsidized guaranteed student loans to families with adjusted gross incomes of $60,000, reflecting an important policy principle that there should be some absolute income limit for eligibility.

Third, it would reduce the costly Federal GSL subsidies by requiring multiple disbursements. That is, the loan would be paid out during the year as it is needed, not all at once. Fourth, it would reduce the reinsurance rate to State guarantee agencies for their payments to lenders for GSL defaults depending on the agency rate of default.

Fifth, it would establish a more comprehensive independent student definition, requiring an additional year of proof of nondependency, in place of the President's present budget proposal to deny independent status to any students aged 21 or younger.

OTHER PROGRAM BUDGET COMPROMISES

In other areas, there is not much change, but the compromise does accept the provisions of the President's budget on impact aid, the main feature of which is no impact aid for "B" children.

Other programs will be funded, in general, at 1985 levels. None of the 1985 rescission proposals were included. At a minimum, those programs which are ongoing in nature will be funded in 1986 at their 1985 levels. These programs include Magnet Schools, Excellence in Education, Emergency Immigrant Education, and National Graduate Fellowships.

Let me just add that a lot of people are still catching up on this compromise, including many of us who are still working on a number of the details, and there have been some changes.

We do think they are significant and important, as they are part of the general budget compromise strategy which is aimed at reducing deficits in a pretty substantial way.

We think that our revisions make good sense. Thank you.

PREPARED STATEMENT

Senator WEICKER. Thank you. Your prepared statement and the additional information you referred to earlier will be inserted in the record at this point.

[The information follows:]

STATEMENT OF WILLIAM J. BENNETT

I am very pleased to appear before you for the first time to present the President's 1986 Budget for the Department of Education.

As you so well know, these are exciting times for education in our Nation. We are witnessing a renewed interest and a grass-roots commitment to educational quality which is unprecedented in our history — indeed, a virtual "renaissance" of American education. States and localities have been particularly active in promoting education reform at the secondary level. The same kinds of questions and issues are now being raised to public debate in both elementary and postsecondary education. This response at the State and local levels is most fitting, because that is where prime responsibility for education resides.

We feel that the Administration's 1986 proposed budget for the Department reaffirms the President's commitment to the crucial — but limited — Federal responsibility in this venture. Our budget would enable the Department to continue to assist the disadvantaged, the handicapped, and our neediest college students; and to provide appropriate national leadership in restoring excellence to American education. At the same time, our budget reflects the President's objective to bring Federal spending under control, which is critical if we are to pursue our goal of reducing the Federal deficit.

Our total request of $15.5 billion for fiscal year 1986, in terms of budget authority, represents a decrease of $2.9 billion from our fiscal year 1985 revised estimate of $18.4 billion. However, this comparison is misleading, primarily since our 1985 total includes about $750 million to meet prior year costs in the Pell Grant and Guaranteed Student Loan programs. Therefore, in comparing program levels for each year, the real decrease is $2.0 billion, from $17.7 billion in 1985 to $15.7 billion in 1986.

I would emphasize that many of the reductions we propose are in activities which have achieved their objectives, such as the public library services program which has been successful in the past 30 years in stimulating overwhelming State and local support. Another example is the Women's Educational Equity program which has contributed more than $72 million over the last ten years for curricular and other materials which are now available to any school or university. Other proposed cuts reflect activities which can be funded from other sources, including several small categorical programs such as Civil Rights Training and Follow Through which can be supported under the Chapter 2 Block Grant and Chapter 1 funds for migrant education for students who have not migrated for over three years and can be provided education services through the Chapter 1 basic grant program. Still other requested reductions represent areas where Federal aid is unnecessary; for instance, Impact Aid payments for "b" children whose parents either work or reside on private property, and thus contribute to the local economy and tax base.

Over 85 percent of our budget would support programs that serve the disadvantaged, handicapped, limited-English-proficient, and others similarly situated. This percentage includes our request for financial assistance for the neediest college students, accompanied by a proposal to eliminate overly generous Federal subsidies to students from higher income families, especially in the Pell Grant and GSL programs.

Highlights of Budget Policy

A helpful perspective on the Department's budget can be obtained by looking at the relative shares devoted to elementary and secondary education versus postsecondary education. The rapid growth of Student Aid -- particularly Guaranteed Student Loans -- in the past few years has resulted in a significant redistribution of appropriations from elementary and secondary to higher education. Our 1986 proposal to restructure Student Aid will reverse this trend and concentrate scarce resources in areas where they are most needed. Specifically, the shares for elementary and secondary education in 1985 and 1986 would be 40 and 46 percent, respectively, compared to 49 and 42 percent for postsecondary education. The remaining 11 or 12 percent each year is requested for other programs such as rehabilitation services and research.

I would now like to highlight some of the more significant aspects of our proposed budget policies for 1986.

Elementary and Secondary Education

Our request for elementary, secondary, and vocational programs totals $7.2 billion, a slight decrease from the 1985 level of $7.4 billion. We would protect the level of funding for programs that serve the disadvantaged, the handicapped, and other special needs groups, as well as programs directed towards improving the quality of education in the Nation's classrooms.

For instance, within Chapter 1, we would maintain Grants to Local Educational Agencies at $3.2 billion, so that 14,000 school districts can continue to provide services to children who need compensatory education. The total request of $3.6 billion for all Chapter 1 activities in fact, represents 24 percent of our total budget, more than any other single program in the Department.

State grants for the handicapped under Public Law 94-142 would continue at over $1.1 billion. This amount would provide over 7 percent of the excess costs of educating over 4 million handicapped children.

Within the Bilingual Education program, continued at a total of $143 million, we would emphasize basic grants to school districts to help over 225,000 limited-English-proficient students -- an increase of about 20,000 over 1985 -- to learn English as quickly as possible.

We are requesting $738 million for the Carl D. Perkins Vocational Education Act, which we are implementing during fiscal year 1985, to serve the training needs of special populations such as the handicapped and disadvantaged, and to improve and expand existing vocational programs. For Adult Education, $100 million will continue to help States provide basic education and high school equivalency programs to adults who lack functional literacy or have not completed secondary school.

We propose level funding for two major programs in the area of educational reform -- Chapter 2 Block Grants, at $500 million, which States and local school districts can use to meet their own needs and priorities to improve the quality of our children's education; and grants for Science and Mathematics education to States and postsecondary institutions, at $100 million, to strengthen the skills of teachers and improve instruction in mathematics, science, computer learning, and foreign languages.

A final example of programs in elementary and secondary education is Impact Aid for "a" children, which we would continue at the 1985 level of $513 million. This program compensates school districts for the educational expenses of children whose parents reside and work on Federal property, and thus generate little or no tax revenue for local districts.

Postsecondary Education

For programs in postsecondary education, we are requesting a total of $6.6 billion, of which $6.3 billion is for student financial assistance.

We are proposing a major philosophical change in student aid by emphasizing parent and student responsibilities for college costs, significantly reducing assistance available for students from higher income families, and focusing assistance on the neediest students. We do not think it is either sound policy or fair policy for families in the lower two-thirds of American income to pay for the college education of those in the upper third.

Specifically, no student could receive more than $4,000 in subsidized aid under Title IV programs, plus another $4,000 in guaranteed but unsubsidized PLUS loans; students would be expected to provide at least $800 from any of a number of sources to be eligible to receive a Federal grant or loan; no student whose family adjusted gross income exceeds the national median income of $25,000 would qualify for grants, work-study, or direct loans; and no student whose family adjusted gross income exceeds $32,500 could receive a subsidized Guaranteed Student Loan. As a result, limited Federal funds would be targeted on about 4 and a quarter million of our neediest students, compared with 5 and a quarter million under current law and budget policies. Moreover, 85 percent of Pell Grant funding would go to students with family incomes below $12,000, compared to 76 percent under the revised 1985 request.

In addition to the reforms that affect students and their families, our proposal includes GSL program provisions that would reduce profits of lending institutions to more reasonable levels by tying subsidies more closely to lender costs, and that would provide for more equitable costsharing between the Federal Government and State-level loan guarantee agencies.

We do not expect any significant drop in college enrollments as a result of our student aid policies. Some students and families may have to spend more on education and less on other things, or may shift from more expensive to less expensive schools, but our budget includes sufficient funds to ensure access to postsecondary education for any student who wants to attend.

Our budget for postsecondary institutional aid emphasizes the Administration's commitment to help colleges serving large numbers of disadvantaged students, and to provide support services for the students themselves. For instance, we propose to continue the Developing Institutions program at $141 million, including $23 million for endowment grants, to help schools improve their academic quality and move toward self-sufficiency. For the TRIO Special Programs for the Disadvantaged, at our requested level of $82 million we would focus on direct services to college students through the Upward Bound and Special Services in College programs. We are also proposing to require institutions to share costs, and to graduate from the Special Services program after five years so that other institutions might participate, thus increasing in the long run the number of students receiving special tutorial and remedial services.

Other Programs

The remaining $1.8 billion of our budget is allocated for other programs which do not provide direct assistance for elementary, secondary, and higher education.

Rehabilitation Services State grants would be level funded at $1.1 billion. This program will provide individualized services to over 900,000 physically and mentally handicapped adults in an effort to help them become gainfully employed.

Also in this category is our education research and statistics effort, which we propose to continue at a total of $60 million. In addition to funding the nineteen new regional education laboratories and national research centers which are currently being competed for the first time in decades, we plan to conduct some new research in such topics as improving the recruitment, selection, and training of teachers; encouraging excellence in postsecondary institutions; and increasing effectiveness of secondary schools.

Finally, several management initiatives, most of which are proposed Government-wide, will enable us to save $22 million in Salaries and Expenses by streamlining our administration of Department programs and carrying out our responsibilities more effectively and efficiently. Actions include such measures as reducing all administrative expenses by 10 percent, continuing a reduction of Department personnel through attrition, and contracting for loan collections. The Department of Education has made great strides in these areas over the past four years. For instance, it has reduced employment by 32 percent since 1981. We believe that we can continue these efforts to make the Department more cost-efficient in its management without jeopardizing our responsiveness to the needs of our clientele.

In conclusion, Mr. Chairman, I ask that you seriously consider our education proposals in the President's Budget for 1986. I strongly believe that our budget reflects an appropriate Federal role in education, which is to provide national leadership, to protect opportunities for the disadvantaged, and to encourage excellence -- and to do so in an effective, prudent, and non-intrusive manner.

I look forward to the challenges and opportunities that I will face as Secretary. And I look forward to working with your Committee in our dual goals of providing the best education possible for all Americans and of revitalizing the financial health of the Nation.

I will now be happy to respond to your questions.

BIOGRAPHY OF WILLIAM J. BENNETT

POSITION : Secretary of Education

BIRTHPLACE AND DATE : Brooklyn, New York, July 31, 1943

EDUCATION : Williams College, 1965, B.A.
University of Texas, 1970, Ph.D.
Harvard Law School, 1971, J.D.

EXPERIENCE :

PRESENT : Secretary, United States Department of Education
1981-1985 : Chairman, National Endowment for the Humanities
1979-1981 : President and Director, National Humanities Center, Research Triangle Park, North Carolina; and Adjunct Associate Professor of Philosophy, University of North Carolina, Chapel Hill, North Carolina
1977-1981 : Adjunct Associate Professor of Philosophy, North Carolina State University, Raleigh, North Carolina
1976-1979 : Executive Director, National Humanities Center, Research Triangle Park, North Carolina
1972-1976 : Assistant to the President and Assistant Professor of Philosophy, Boston University, Boston, Massachusetts
1975-1976 : Academic Administration Internship Program, American Council on Education Fellows in Academic Administration, Boston, Massachusetts
1975 (Fall) : Speaker/Instructor — In-service Training, Boston Police Academy, Boston, Massachusetts
1974-1975 : Associate Chairman — Bicentennial Project, National Humanities Faculty, Concord, Massachusetts
1973-1974 : Chairman — "The Question of Authority" Project, National Humanities Faculty, Concord, Massachusetts
1973 (Spring): Visiting Assistant Professor of Philosophy, University of Wisconsin, Madison, Wisconsin
1971-1972 : Associate Dean and Assistant Professor of Philosophy, Boston University, Boston, Massachusetts
1970-1971 : Tutor — Social Studies, Harvard University, Cambridge, Massachusetts
1969-1971 : Resident Advisor (Dormitory), Harvard University, Cambridge, Massachusetts
1970 (Summer): Assistant Professor of Philosophy, University of Texas, Austin, Texas

1967-1968 : Assistant Professor of Religion and Philosophy, University of Southern Mississippi, Hattiesburg, Mississippi
1966 (Summer): Instructor, Governor's School, Winston-Salem, North Carolina

HONORS AND AWARDS : Honorary Doctorate of Laws, University of Notre Dame, 1984
Honorary Doctorate of Humane Letters, Loyola College of Maryland, 1984
Honorary Doctorate of Humane Letters, Elon College, 1984
Honorary Doctorate of Humanities, University of North Carolina, 1984
Honorary Doctorate of Humane Letters, Manhattan College, 1983
Honorary Doctorate of Laws, Williams College, 1983
Honorary Doctorate of Humane Letters, University of New Hampshire, 1982
Honorary Doctorate of Humanities, Franklin College, 1982
Honorary Doctorate of Letters, Gonzaga University, 1982

FACT SHEET ON ADMINISTRATION-SENATE REPUBLICAN LEADERSHIP EDUCATION BUDGET COMPROMISE

The compromise recently agreed to by the Administration and the Senate Republican Leadership in the area of education would achieve many of the key reform principles in the President's FY 1986 Budget. The principal areas of compromise are in student aid and impact aid. This statement outlines the agreements in each area. It should be noted that while most of the substantive elements are clear, the details of the pricing are still being worked out with the Senate Budget Committee.

Student aid reform

The agreement between the Administration and the Senate Republican leadership incorporates seven important elements of the 1986 Budget proposal:

- Establishes a cap on allowable school costs at $8,000, affirming the principle that the Federal role is primarily ensuring access to a good education—not to any education, no matter how expensive.
  - Combined Federal awards (with the exception of PLUS loans) would be based on an $8,000 limit on allowable costs of education, minus an expected family contribution. We had proposed a $4,000 award cap, also excluding PLUS loans.
  - A cost cap is more targeted on the needy than an award cap because it results in more awards that vary with the family's ability to pay.

- -- Would wholly cover estimated (1986-87) costs of tuition and fees, books and supplies, and room and board at 99.9 percent of public schools (in-State students) and over 60 percent of private schools.

Attached is a table which compares this compromise policy with current law and the President's FY 1986 budget policies with respect to the maximum subsidized Federal student aid available for a student from a typical family of four under different cost and income scenarios.

- o Establishes a family adjusted gross income (AGI) limit on eligibility for heavily interest-subsidized ("regular") Guaranteed Student Loans (GSL's) at $60,000, reflecting the policy principle that there should be some income limit to eligibility for this subsidy.

  - -- The Administration had proposed a $32,500 cap, covering about 65 percent of all families. The new cap would allow more than
    90 percent of families to qualify.

  - -- Less subsidized (12 percent interest rate) PLUS loans would still be available without regard to income.

- o Accepts Pell Grant savings based on proposals designed to reduce program waste and abuse: reduce Pell grant error rates by stricter application data verification requirements.

  - -- Agreement reflects Budget proposal exactly.

  - -- The Budget assumes a two-year reduction in the Pell net error rate (percent of dollars overawarded minus percent of dollars underawarded) from 13 percent to 5 percent (that is, 13 percent in 1986, 9 percent in 1987, 5 percent in 1988), accomplished through administrative actions (regulations) to enhance application data verification activities as well as new statutory penalties (e.g., reduced administrative allowance for schools which have high error rates).

- o Reduces GSL subsidies to lenders by (a) requiring "multiple disbursements", i.e., loan would be paid out during the year as needed, not all at once; and (b) cutting the special allowance subsidy to lenders by .3 percent. The total lender yield would equal 91-day Treasury bill rate (varying each quarter) plus 3.2 percent instead of 3.5 percent.

  - -- The multiple disbursement provision is as proposed in the President's Budget. Interest subsidies would be tied to amounts actually disbursed instead of the current practice of paying full subsidy on the entire loan amount even though the lender still holds part of the capital.

  - -- On the special allowance, the President's Budget proposed a two-tier allowance of a flat 1.5 percent before repayment and 3 percent during repayment (that is, the special allowance amount would be disconnected from the T-bill rate; borrower interest rate for a regular GSL would vary with the T-bill rate, rather than be fixed at 8 percent as under current law).

- Reduces the rates at which the Federal Government reimburses (reinsures) State and private nonprofit guarantee agencies for their payments to lenders for GSL defaults, depending on rates of default as follows:

Agency Default Rate	Reinsurance Rate Current Law	President's Budget	Compromise
0 - 5%	100%	90%	90%
5 - 9%	90%	70%	80%
9%+	80%	50%	70%

  -- Agreement includes Department's proposed improvement in the statutory default "trigger" rates as well.

  -- This policy provides for fairer cost-sharing on defaults and adds incentives to guarantee agencies to forestall defaults and to strengthen debt collection practices.

- Stricter definition of independent student, requiring an additional year of proof of non-dependency.

  -- The Department had proposed denying independent status to any student age 21 or younger unless he/she is an orphan or a ward of the court.

  -- Agreement instead extends from one to two the required number of years, immediately prior to the school year, in which the student has to have not been claimed as a dependent on the parents' Federal income tax.

  -- Evidence from California, which employs this sort of test, is that it is effective.

Items proposed in the 1986 Budget but not included in the agreement are still on the table for further consideration later, though not under the current agreement. Of particular desirability:

-- Requiring a high school diploma or equivalent for eligibility for Federal aid.

-- Student self-help contribution for all student aid and increased family contribution in the Pell Grant program. These changes would help reconfirm the central responsibility of students and their parents for financing a college education.

-- Income eligibility caps on Pell Grant and campus-based programs. All student aid, not just GSL, should have AGI limits in order to direct funds to the neediest students.

-- Full need analysis for GSL borrowing. Currently students from families with AGI below $30,000 do not have to demonstrate need for a GSL loan; they can borrow up to $2,500 per year ($5,000 for graduate students) regardless of what they need to finance their education. There is no reason whatsoever to allow the over-borrowing that results.

— Recall of all guarantee agency advances (zero-interest Federal loans).

— Coverting PLUS to a self-financing program (eliminating the special allowance subsidy, allowing borrower interest to be set by the market, and charging a guarantee fee to cover default risk).

Impact Aid

The compromise accepts the provisions of the President's budget. The main feature is no funding of Impact Aid "b" children, 1986-1988. 1985 funding for "b" children was $130 million. Also: no funding of any Impact Aid construction for 1986; for "a" payments and disaster aid, a one year freeze at the 1985 level and for section 2, the President's request level.

Senate Budget Committee savings estimates ($ in millions) 1/

	1986	1987	1988	1986-88
BA	187	188	209	584
Outlays	148	174	205	527

Other Programs

None of the 1985 program rescission proposals were accepted; at a minimum, the programs which are ongoing in nature would be funded in 1986 at their 1985 levels. These programs and their 1985 BA: Excellence in Education; $5 million; Magnet Schools, $75 million; Emergency Immigrant Education, $30 million; Academic facilities grants, $28 million; National Graduate Fellowships, $2.5 million. The following four programs which were proposed for 1985 rescissions are of a one-time nature, and funding for these would be dropped from the baseline or reallocated in 1986: "special" higher education construction projects (four schools), $22 million; "land-grant" endowments for American Samoa and Micronesia, $6 million; Robert A. Taft Institute, $.75 million; Assistance to Guam, $.5 million. The status of S&E rescissions ($4.2 million), proposed in fulfillment of the requirements of section 2901 of the Deficit Reduction Act of 1984, is not clear.

Otherwise, elementary and secondary programs would be at the freeze (1985) level.

1/ The Senate Budget Committee's estimates of budget authority savings are almost identical to the Department's. Slight differences occur due to differing assumptions regarding inflation. Outlays differ more, presumably due to differing flow of funds and inflation assumptions.

FREEZE PROPOSED FOR HANDICAPPED STATE GRANTS

Senator **Weicker**. The budget proposal for State grants for the handicapped freezes funding for 1986 at $1.135 billion, the level appropriated for 1985. The Department's own figures show that it would take $52 million more just to stay even with inflation. Therefore, a freeze equals a reduction of $52 million right off the bat, and that is if inflation stays right where it is over the next year.

The Department's own best guess is that we will be serving another 50,000 to 100,000 youngsters next year, thereby reducing the amount available by roughly another $30 million.

Were the freeze to hold, Arizona would be forced to eliminate speech, physical or occupational therapy services. Arkansas says preschool blind or deaf children in seven counties would no longer have a program, and Oregon would be forced to cancel implementation of its early intervention program.

I might add, these were all received at the subcommittee request of the State special education directors to determine the effects of a Public Law 94-142 freeze.

These three examples are just three of the many. Can you tell us how much more money will be required for handicapped State grants in 1986 in order to maintain the 8 percent of excess costs level, thereby protecting support for this program?

Secretary **Bennett**. I don't know, Senator. I think Sally can give you some figures.

Ms. **Christensen**. Mr. Chairman, basically, in our proposal, we have estimated that there would be 41,000 more children served in the Basic State Grant Program. Our estimate of maintaining level funding would decrease the amount per child by only $2. It would still basically maintain about 7 percent of the excess costs of educating handicapped children.

The figure that you have shows a $52 million savings, if you provided the increase for inflation, but with the improvements in inflation at the State and local levels, we feel that that slight $2 per child—that slack—would be taken up by the State and local levels.

Senator **Weicker**. Do you have the facts to support that, or is it just intuition?

Ms. **Christensen**. No; these are facts. These are based on reports of participants in the program over the last several years, and using those, we are projecting an increase of 41,000 for the basic grant program and 7,000 for the preschool program.

I think the estimate of $52 million included both programs.

Senator **Weicker**. John Doyle? John, you had a question?

Mr. **Doyle**. Sally, that child count won't be taken until the end of the year?

Ms. **Christensen**. That is correct; this will be taken at the end of the year.

Mr. **Doyle**. It is kind of a guess?

Ms. Christensen. It is a pretty good guess based on what happened over the last few years.

Senator Weicker. Your testimony states that the President's objective is "to bring Federal spending under control, which is critical if we are to pursue our goal of reducing the Federal deficit."

TUITION TAX CREDIT PROPOSAL

Do you support the administration's tuition tax credit proposal?

Secretary Bennett. Yes; I do.

Senator Weicker. What do you estimate as a revenue loss to the Treasury as a result of the policy of tuition tax credits over the next 3 years?

Secretary Bennett. Estimates I have seen, if I remember correctly, Senator, are something like $700 or $800 million, with $300 million in the first year; as much as $700 to $800 million as I recall.

Senator Weicker. Since you are tailoring your appropriations request around this problem, it seems to me you want to deal with a specific on this point. Let me refresh your memory. It would be $359 million in 1986; there would be $630 million in 1987; it would be $885 in 1988, for a total of approximately $1.87 billion over the 3 years.

Secretary Bennett. As you know, Senator, this is a proposal that will come from the Treasury Department, not from the Department of Education.

Senator Weicker. I understand.

Secretary Bennett. I know. We are certainly interested parties.

Senator Weicker. This is an education matter.

Secretary Bennett. We are certainly interested parties, and it is an education matter. The last conversations I have had with the people in Treasury indicate that they are looking at that in the context of the revenue neutral tax reform plans.

Senator Weicker. How is it that we freeze——

Senator Chiles. Revenue neutral tax reform plan?

Secretary Bennett. Yes, sir.

Senator Chiles. How would it be revenue neutral if they have to come up with the money to pay for this program?

Secretary Bennett. Obviously, sir, I am not an expert on all the matters that Treasury is looking at, but I take it they are looking at the whole range of questions, deductions, and various things that are not debated publicly, and trying to sort them out, to find our way to a system which will keep the same amount of revenue at the Federal Treasury.

Senator Chiles. It doesn't seem to me it is revenue neutral if you are going to start a new program and you are going to fund that program. That is interesting.

Secretary Bennett. If you start one, then, of course, you would have to take back somewhere else. It is part of the mix; it is one of the factors being looked at.

Senator WEICKER. Are you a budget expert or a Secretary of Education on that question?

Secretary BENNETT. As you reminded me, I need to be a little bit of both. It is an education issue, and I would be happy to speak to that, if you would like.

COMPETING GOALS IN GOVERNMENT

Senator WEICKER. I don't understand how it is on the one hand, you go ahead and freeze funding for the handicapped in the State grants for the handicapped, but there is not enough money in the budget to go ahead and counter a cap to the States.

Senator CHILES. Private education services.

Senator WEICKER. We have the money to start up a new program. I don't understand that.

Secretary BENNETT. Well, Senator, as you know, I guess as everyone knows, we have competing aims in Government. We have a variety of goals and ends that we would like to serve, increasing our choice, and supporting choice is one of those goals. We think it is as important a goal as there is in education.

Senator WEICKER. Even at the expense of the handicapped?

Secretary BENNETT. I don't know that one has to look at a 1-to-1 comparison. I think if one went through the entire budget, all of the items in the Federal budget, and asked us: Is this more important than that on a 1-to-1 basis, we might end up just supporting two or three or four most important ends of Government.

We have a variety of goals we are to serve, and we think this is important. I would point out that we do spend a fairly large amount of money providing support for students and their families to go to colleges and universities of their choice.

We think that is an important goal, and we spend some $6 to $8 billion on that. The figures we are talking about under the tuition tax credit proposal, of course, even after 3 years, is less than that.

Senator WEICKER. Let's just stick to the handicapped for a moment.

Secretary BENNETT. OK.

EDUCATION EMPLOYEE—EILEEN GARDNER

Senator WEICKER. You just hired as part of your office staff Eileen Gardner; is that correct?

Secretary BENNETT. That is right.

Senator WEICKER. I have a draft of a report here from this organization, the Heritage Foundation, written by Eileen Gardner. I am just quoting at random here. I will submit the whole draft for the record.

[The information follows:]

FEDERAL ROLE IN EDUCATION

INTRODUCTION

Vital debate is now taking place over the proper role of the federal government in education. The best documented and most compelling arguments show that increased federal involvement has all but destroyed quality in education. Indeed, as the federal share of educational financing has soared during the past 20 years, Scholastic Aptitude Test Scores, which predict post-secondary school success, have plummeted (down 36 points in mathematics; down 54 points in verbal). This decline has occurred, it is herein to be argued, because federal funds and sanction have been bestowed upon counterproductive programs, such as Chapter I and Education of the Handicapped.

During the past two decades, control of education has become centralized in Washington, D.C., where unelected and unaccountable special interest groups have skillfully maneuvered Congress into creating for them federal programs from which stunningly successful lobby efforts have been launched. These groups postulate as morality a set of assumptions which are, in fact, directly contrary to man's experience of reality and to spiritual law. All efforts at objective evaluations are discredited by them as "immoral".

Education, strait-jacketed by these false assumptions imposed from without, has been devastated. A major first step in restoring education to health must be the dismantling of the power base from which these special interest groups have worked..

CRITICISMS AND EXAMPLES OF THE FEDERAL ROLE IN EDUCATION

Funding

In some circles today it is in vogue to equate education quality with large financial input. Organizations, Congressional bills and amendments, and commissions with their reports that advocate increased spending for education are applauded by their sympathizers as willing to legitimize empty "rhetoric" with concrete funding measures, or in plebian terms, as being willing to "put their money where their mouths are". Yet, even a cursory comparison of education spending during the past twenty years with the quality of education output in terms of standardized test scores as well as student-demonstrated sound qualities of character and readiness for responsible citizenship shows an alarming negative correlation.

Projected total spending on public education for 1983-84 is $183.7 billion.[1] This represents approximately 7 percent of the Gross National Product (GNP) and nearly twice the percentage of the GNP spent on national defense.[2] Per pupil expenditures have risen dramatically -- (in 1980 dollars) from an average of $848.00 in 1950 to $1,247.00 in 1960 to $2,228.00 in 1980.[3] Between 1963 when scholastic achievement was at its zenith (math, 502; verbal, 478) and 1982-83 when such achievement was near its nadir (math, 468; verbal, 425),[4] real dollars per student went up some 70 percent.[5]

In 1979, Fortune magazine reported the findings of a mathematician who had formulated a series of arithmetical correlations on federal spending: +1.0 represented a perfect positive correlation; -1.0 represented a perfect negative correlation; 0 represented no correlation at all. "In correlating federal spending on education between 1968 and 1976 and the average verbal scores on the scholastic achievement test, he came up with -0.95. . ."[6] Thus, we see a nearly perfect inverse relation between federal spending on education and verbal academic outcome. The scores just cited on the math portion of the SAT would indicate that the same holds true in that domain. If one measure of effective education is the amount of knowledge imparted to students, it is clear that more money has not improved education. Quite the opposite appears to be the case.

Neither has increased funding produced (or helped to produce) upright citizens with demonstrated sound qualities of character and readiness to assume responsibility as citizens of a democratic society. On the contrary: What we are witnessing is an alarming number of alienated, self-centered young people, apparently unaware of their responsibility to the adult society that has donated increasing proportions of its economic resources to their "enrichment". We are looking at problem students -- students who are strangely amoral in their outlook and behavior, who have developed a taste for what has traditionally been considered highly improper for youth (or for anyone), and who are highly resistant to change.

This nation's not-too-distant adult population may well consist of a breed of people who have never been exposed to, are unaware of, and do not value the truths and ideals upon which this nation was founded and built and upon which mankind's well-being depends.

Centralization

Many critics of the educational trends of the past two decades blame education's ills on the increased centralization and control of education at levels too far removed from the level on which educational activities actually occur. If this trend is analyzed in dollar amounts, there has been a clear move away from local funding and towards state and federal support. In 1950, 66 percent of education was financed at the local level; the states contributed 32 percent; the federal government contributed 2. By 1980 the local share of educational funding had decreased by a third (to 43 percent). In a shifting of roles, the states' share of funding during that same period of time went up nearly a third (to 46.9 percent) and the federal share soared to 9.8 percent -- a near five-fold increase.[7]

The centralization of education, particularly at the federal level, has elicited sharp criticism. Among the dangers of such centralization are the control of all of education by unelected special interest lobbyists from a federal power base; top-down, cookie-cutter mandates and regulations attached to the receipt of federal funds which are ill-suited for the unique and changing needs of America's diverse educational community; the unnecessary proliferation of state bureaucracies which mimic federal programs (often of highly questionable merit) and which are then controlled from Washington; and the general disempowerment of the state and local education agencies and parents -- those that have traditionally and rightfully been assigned the primary responsibility for education.

Faulty Philosophy

Some of the most penetrating and interesting discussions about the present state of education focus on the philosophical assumptions that have underlain and informed educational activities since the 1960's. Those who prefer to analyze the educational dilemma from this perspective view increased funding and federal influence not as the only (nor as even the direct) causes of the present state of disarray, but primarily as the means by which certain philosophical premises have been given "working room" in this nation's public schools. The return of control of education to the states, localities, and parents will not, then, in and of itself, guarantee the desired improvement in quality. (Indeed, all three have acquiesced in the erosion of educational quality during the past 20 years.) There must be, rather, a basic change in the philosophy which guides educational policy.

The educational debacle which confronts this nation is directly attributable to its guiding philosophy of the last 25 years -- a philosophy, it is herein to be argued, which rests upon false assumptions about the basic nature of man and the purpose of man's existence.

In essence, this nation's present educational dilemma rests on the schism in the way people see these deeper issues, which have particular applicability to the educational domain (since education is to lead to some end). Too many of those who have formed and/or continue to support present education policies and programs do so, either consciously or unconsciously, from the false assumptions that man's purpose and end are defined by man and that consensus determines what is right and good. If man determines his own end, then equality of result should be attainable by man's manipulation of man. Thus, we have experienced an explosion of social legislation and court decisions to attain that end. The failure to reach it is interpreted by some as the arbitrary failure of individuals and society to make the wholly possible changes required. For example, H. Carl McCall, Commissioner of the New York State Division of Human Rights, in a New York Times Op.Ed. piece made the astounding assertion that "in a discrimination-free, pluralistic society, data profiles would tend toward equality of opportunity and representation in accord with population ratios, all other things being equal."[8] Mr. McCall is here arguing from the assumption that equality of opportunity is synonomous with equality of result; the failure to attain equality of result, then, automatically supposes discrimination.

This is contrary to experience and to truth. All men are equal in so far as all men are emanations from God. However, not all men have yet attained the same manifest level of development. Every man is evolving along his own path, from his own efforts, hopefully upwards to goodness through truth; not all men are at the same level of development, awareness, or ability -- nor are they meant to be.

The social legislation of the past 20 years in education has been based on the three false assumptions just outlined: that more money will improve education; that centralization will improve education; that man determines his own nature and end. Many federal education programs clearly embody these false assumptions. Two will be discussed here. They are Title I and Education of the Handicapped.

Title I/Chapter I

From the mid 1950's to the late 1960's, a plethora of studies, reports, and consortia investigated the reasons for and possible solutions to the grossly inferior academic performance of black children in predominantly black schools. The problem was a serious one -- black children were academically regressing each year they were in school.[9] Rejecting the argument that genes are the primary determinants of intellectual capacity and learning ability, social science researchers focused solely on the effects of the environment upon learning. They concluded that the "culturally deprived" child's ability to learn in school was impeded by poverty, racial prejudice, and racial segregation. These conclusions had been supported by the 1954 Brown v Board of Education Supreme Court decision that outlawed de jure segregation in elementary and secondary schools on the grounds that such segregation worked against the affected child's right to receive a quality education.

In June of 1964, 31 prominent social scientists convened at the University of Chicago to review the effects of cultural deprivation and to make substantive recommendations for its cure. Three of those social scientists wrote the document which listed the group's recommendations. One of the recommendations was to provide each child with a prescription for individual learning for the first 3 years of elementary school.[10] The strategy and the goal? "'To start with the child where he is and to proceed by a carefully developed and sequential program to bring him up to a level where he can learn as well as other children and eventually under the same conditions as other children.'"[11]

Between 1963 and 1965 serious racial strife redirected the attention of the nation to the needs of disadvantaged children. Funds which had been targeted on training the academically talented student (with great success), stimulated by the Sputnik challenge, were now funneled into "redressing racial injustice". Within five years (1960-1965) over 100 communities throughout the country instituted compensatory education programs.[12]

In many respects, schools were seen as the means through which poverty and inequality were to be eradicated and equality of result was to be achieved. President Johnson echoed the persuasion of many in a speech he delivered at Howard University on June 4, 1965:

> You do not take a person who, for years, has been hobbled by chains and liberate him, bring him up

> to the starting line of a race and then say, 'You are free to compete with all the others', and still justly believe that you have been completely fair. . . It is not enough just to open the gates of opportunity. All our citizens must have the ability to walk through those gates. . . This is the next and the more profound stage of the battle for civil rights. We seek not just freedom but opportunity. We seek not just legal equity but human ability, not just equality as a right and a theory but equality as a fact and equality as a result. . . To this end equal opportunity is essential, but not enough, not enough.[13]

The 1965 passage of the Elementary and Secondary Education Act represented a major step in a deep and comprehensive involvement of the federal government in America's educational system. ESEA provided federal funding of categorical programs in public and private schools for educationally disadvantaged children from low-income families. Title I was part of ESEA.

Title I (now Chapter I[14]) provides aid to states and school districts to support compensatory education for disadvantaged children within a small class setting or through tutoring. Funding for Title I/Chapter I has been high from its inception. One billion dollars was appropriated in 1965; this rose to nearly $2 billion in 1976 and 1977. By 1978, appropriations for Chapter I represented some 47 percent of all federal elementary and secondary spending.[15] In 1983, Chapter I was appropriated $3.2 billion. To date, cumulative federal spending for compensatory education has been over $38 billion.[16] In the 1984-85 school year, an estimated 90 percent of the school districts in America will receive compensatory education funds to serve between 4.5 and 5.5 million children.[17]

Money spent on evaluating the cost effectiveness of Title I was substantive: In the first seven years Title I was in effect, $50 million was spent for this purpose.[18] These early evaluations were discouraging.. One, the famous Westinghouse assessment of Head Start in 1969, reported that initial gains made by disadvantaged children in pre-school compensatory education programs disappeared in later years.[19]

Instead of examining the assumptions upon which compensatory education was based, however, policy-makers merely shifted their focus from assessing cost effectiveness to making sure that the target population was being served and that Title I was being properly implemented.[20] A comprehensive study funded by the Department of Education in the late 1970's ("Study of the Sustaining Effects of Compensatory Education on Basic Skills") reported that Title I was being effectively implemented by the school districts and that federal, local, and state compensatory education programs were serving over half of the target population.

Findings about the effectiveness of Title I, however, were considerably less encouraging: The researchers analyzed the standardized achievement test scores of Title I students and regular students and found that 1) The gap between the two groups remained basically unbridged. There was a modest two-year positive effect on the reading achievement of Title I participants which was generally sustained; but, by the third year, Title I students, although not losing the modest gains of the first two years, failed to narrow the gap at all; the short-term effect on arithmetic achievement was not sustained;[21] 2) "Needy" students who were not in Title I did better than those who were; and 3) Older students were harder to improve academically.

Stephen P. Mullen of the University of Pennsylvania and Anita A. Summers of the Wharton School of Business recently published the findings of an evaluation they did of 47 studies on the overall effectiveness of compensatory education. Their findings reinforce the Westinghouse and the Sustaining Effects studies:

"● The [compensatory education] programs have a positive, though small, effect on the achievement of disadvantaged students.

"● The results of most studies are over-stated because of the upward biases inherent in several standard statistical procedures.

"● The gains appear to be greater in the earlier years, and the evidence is fairly strong that early gains are not sustained.

"● No significant association exists between dollars spent and achievement gains.

"● No approach or program characteristic was consistently found to be effective."[22]

Critics of Chapter I add that the disappointing results represent, at least in part, the logical outcome of a faulty system. All components of the Chapter I program are separated from the regular education program; Chapter I has a separate administrative structure and separate teaching personnel. Too, many of these Chapter I personnel are paraprofessionals and not as skilled as regular school teachers.[23]

By far the strongest criticism of Chapter I is that it separates the student from the regular classroom with negative results: "By 1976, some 70 percent of Title I students receiving remedial reading were 'pulled out' of their classes and physically moved to other areas in order to receive their supplemental instruction."[24] The effect of this pull-out on both teachers and pupils has not been advantageous to either. It has, rather, essentially shifted the responsibility for teaching educationally disadvantaged students from the regular classroom teacher and school administration to Chapter I personnel. It has isolated and segregated the targeted child in what could well be labeled special education classes. It has placed the burden of progress upon federal funding of compensatory education, thus maintaining an unhealthy dependency on the federal government.[25] Finally, having two instructional tracks has resulted in an overlapping of teaching styles, books, and expectations. Those students who are pulled out for supplemental instruction are missing the regular-classroom instruction, and to their detriment. The present structure of Chapter I, then, is not sympathetic to the development of academic competence.

The most modest gains of the educationally slower students seem to be temporary and to have been purchased at the expense of the academically talented students — that pool of talent from which the nation traditionally has drawn its leadership. Indeed, at the same time that it began to be clear that compensatory education was not producing the desired results, the educational establishment discredited any measures that would indicate its failure: Standardized tests were called elitist and culturally biased; academic rigor in schools was maligned. "We will need to recognize that the so-called 'basic skills' which currently represent nearly the total effort in elementary schools, will be taught in one quarter of the school day. The remaining time will be devoted to what is truly fundamental and basic." -- Catherine Barrett, President, National Education Association, 1972.[26] What was "truly fundamental and basic" according to NEA? In a discussion of the role of the teacher in the coming decade, the NEA journal, Today's Education, stated the following, "Ten years hence it should be more accurate to term [the teacher] a 'learning clinician.' This title is intended to convey the idea that schools are becoming 'clinics' whose purpose is to provide individualized psychosocial 'treatment' for the student, thus increasing his value both to himself and to society."[27]

Academic standards throughout education were lowered or eliminated altogether; thus, students were required to know and to develop their minds less and less.

Between 1967 and 1975 the number of students scoring above 700 (out of a possible 800) on the mathematics section of the SAT declined by 15 percent.[28] A recent study by Stanford University reported that between 1972 and 1982 the number of students scoring 650 or higher on the verbal and mathematics sections of the SAT fell 45 percent and 23 percent, respectively, Further confirmation of the overall negative impact of focusing on the less able student comes from the National Assessment of Educational Progress. In December, 1982, this organization issued a report on the reading, science, and mathematics performance of American youth (ages 9, 13, and 17) during the 1970's ("Reading, Science, and Mathematics Trends: A Closer Look"). Results show that the highest achievers significantly declined in science and mathematics performance at all three age levels (most often at two and three times the mean change upward of the lowest achievers).

Despite the disappointing study results, the obvious difficulties in implementation, and the overall negative impact on the highest achieving students, Congress, for fiscal year 1984, has just appropriated $3.48 billion for Chapter I.

Education for the Handicapped

The Supreme Court decision of Brown v Board of Education had a profound impact, not only on education for racial minorities, but also on subsequent legislation and court decisions about the handicapped. (Brown established the civil right of every school-aged child to a "quality" education and ruled that segregation of any kind worked against this goal.)

In the early 1960's, while black students were integrating segregated school systems and attaining national press and support, the parents of handicapped children were concentrating their efforts at the state and local levels. Their goal was to place all handicapped children in education programs that were publicly supported, to train special teachers to staff those programs, and to have public school funds pay for both.[29]

By 1965, using the precedent of Title VI of the 1964 Civil Rights Act (which empowered federal officials to withdraw federal funds from any program which violated antidiscrimination laws and regulations) the handicapped lobby directed its efforts at the federal level. The goal? To have the federal government make the states guarantee a free and appropriate education to all handicapped children as a civil right.

The success of the handicapped constituency at the federal level was impressive. It had money, "deep conviction", and little opposition.[30] It seemed to occupy moral high ground which few could bring themselves to oppose. Under this protection of silence, the handicapped lobbyists followed a careful strategy: They skirted education authorities and developed a close relationship with House and Senate education committees (which eventually established appropriate agencies and subcommittees that generated legislation to further the interest of the handicapped constituency).[31]

In 1966 a Democratic Congress established the Bureau of Education for the Handicapped (BEH). BEH was to be the primary agency for administering and carrying out programs concerned with the education and training of the handicapped.[32] At the same time Congress established the National Advisory Committee on Education and Training of the Handicapped. Both agencies were and were meant to be "advocacy agencies for the handicapped within the federal government."[33]

In 1970 new legislation both increased federal aid for education of the handicapped and expanded the definition of handicapped to include learning disabilities.

Emboldened by their success at the Congressional level, the handicapped constituency turned to the courts. In 1971 Pennsylvania was sued (PARC v Commonwealth of Pennsylvania) for failure to provide a severely retarded child with a free public education. In a landmark decision a federal court ordered Pennsylvania to provide a free public education for all retarded children in the state between the ages of 6 and 21. In addition, Pennsylvania had to locate and identify all previously excluded retarded children and to conduct thorough medical and psychological examinations of those children to ensure proper classification. The parents of the children were to receive prior written notice of any change in their child's placement and be allowed to object to the school's decision in due process hearings.[34] A second, more encompassing federal court decision followed in the District of Columbia.

In 1973 Congress passed the Rehabilitation Act, containing Section 504 which (echoing Title VI) "prohibits any program or activity receiving Federal assistance from discriminating against any persons because of a handicapping condition."[35] Specifically, Section 504 requires schools to evaluate handicapped children, provide an appropriate public education alongside their regular peers, and establish due process for parents and their handicapped children (including being notified of changes in the education program, having access to records, and impartial hearings). Schools must, in addition, make equally available to handicapped children all extracurricular activities available to the non-handicapped; pay for the room, board, and non-medical expenses if the district places a handicapped child in a residential school; and make "reasonable accommodation" to employ handicapped teachers.[36]

Opposition to these strait-jacket, costly regulations was substantial. President Nixon vetoed the bill. Congress overrode the veto, for by this time, an "iron triangle" had been formed between the handicapped constituency, the staff and members of Congressional education committees and the federal agency officers (e.g., BEH officers) who were to administer programs for the handicapped -- an iron triangle that was not to be broken.[37]

The power of the iron triangle demonstrated its full might in the 1975 passage of Public Law 94-142, the "Education for All Handicapped Children Act". P.L. 94-142 requires that states and local districts afford every handicapped child (between the ages of 3 and 21 since September 1, 1980) within its jurisdiction a "free and appropriate public education" in the "least restrictive environment" (meaning placing handicapped and non-handicapped children in the same classroom whenever possible). In "'one of the sharpest intrusions of the federal government into the details of the teaching practice'"[38], every teacher of a handicapped child is required to write an Individualized Education Program for that child.

P.L. 94-142, in addition, sets up elaborate due process procedures which give parents access to a swift appeals process and litigation whenever they are dissatisfied with a teacher's or school's handling of their child. To ensure compliance with the law, local school systems and state agencies must be monitored by state departments of education.

The most costly (and therefore the most controversial) requirements of P.L. 94-142 require that school districts provide the services necessary to make learning possible. This includes everything from providing transportation, to eliminating architectural barriers, to hiring specially trained personnel, to paying private school tuition for those children who cannot be in public school, to whatever else the courts decide the school district is responsible for. Congress declared its intention to help defray the "excess costs" of educating a handicapped child by providing up to 40 percent of those costs. In actuality, however, Congress has never exceeded 12.5 percent. In 1982, the federal government provided only 9 percent of the excess costs of educating handicapped children.[39] P.L.94-142 regulations, however, have not been curtailed.

An Education Turnkey Systems, Inc. Report described the expenditures of states and localities on special services to handicapped children as being uncontrollable. Evidence indicated that a full quarter of one "state's local school transportation budget is spent on handicapped children who make up only 3 percent of the total school population."[40] According to a study by Rand Corporation, it cost approximately $23.6 billion to educate handicapped children in the 1982-83 school year.[41]

In order to meet the exhorbitant and disproportionate costs of complying with handicapped regulations, states and local school districts have had to curtail the services rendered to regular school children and to other citizens. The city of Baltimore, for example, managed to avoid a special education suit this year by " [scraping] together $3.8 million from other school accounts and city funds and from an advance on its fiscal 1985 state education appropriation to pay for extra special education teachers, health professionals, aids and private placements for the coming school year."[42]

Other abuses associated with P.L. 94-142 and Section 504 of the Rehabilitation Act involve labeling of children for special education placement and mainstreaming handicapped children into the regular classroom.

Since the establishment of P.L. 94-142 there has been a dramatic increase in the number of children labeled Learning Disabled. In 1981-82, 1,617,344 children were counted as LD; this represents an increase of 104 percent over the number of individuals labeled LD in 1976-77.[43] LD children now comprise approximately 3 percent of those individuals in the 5 to 17 age range[44] and two-thirds of all children who have been labeled handicapped.[45] Four possible explanations for the increase in the number of children labeled LD are

1) Mentally retarded (MR) children are labeled to avoid the MR label. Indeed, concomitant with the increase in LD students has been a decrease in the number of children served as mentally retarded.[46]

2) Normal children are labeled LD so school districts can receive more federal money. "It seems very strange to me that in the few short years since this program was established, our schools suddenly have 'found' a shocking one million additional children with learning deficits. But then when we consider that those one million children account for about 60 percent of the $930 million federal tax dollars sent to local school districts last year for 'special education', the reason for that growth becomes clear." -- Dr. Harold Voth, a professor of psychiatry at the University of Kansas School of Medicine and a member of the faculty at the Menninger Foundation School of Psychiatry.

3) Teachers refer for LD placement students who require any but minimum teaching effort, to avoid their teaching responsiblities. Observes Dr. Joseph M. Scandura, professor of education and

director of instructional systems at the University of Pennsylvania, "There are a few cases where there may be some physiological problems, but for the most part these children simply haven't been taught the subject properly. I really do think that. . .there is almost no excuse for a typical child failing to achieve basic levels in reading and mathematics. It's just a function of them doing it, and if they need extra help, getting it. But children aren't kept after school for special help anymore, because that would mean teachers would have to stay after school with them. And teachers who have grown up in an atmosphere of unionism are much more concerned with how many minutes they have to stick around after the bell rings than they are with really helping children learn. Instead, they label children 'learning disabled' and walk away from them. It's easier that way, and it takes less of their time."

4) LD class enrollments are kept high to guarantee the jobs of the LD teachers.

It is a fact that the federal definition of learning disabilities is notoriously unclear and there is a tendency to overuse it. Says Dr. Ralph Scott, Director of the Educational Clinic and Professor of Educational Psychology at the University of Northern Iowa, "The fact is, most school psychologists and special education personnel don't know what they're talking about when they talk about learning disabled children. If you follow the guidelines set forth by the federal government, which nearly all school psychologists do, you are going to come up with a lot of mislabeled, misdiagnosed children." The permanent emotional damage done to mislabeled children is, of course, the worst part of the whole mislabeling phenomenon. Adds Dr. Scandura, "Typically, the younger child depends much more on external reinforcement, so when a kid is labeled 'learning disabled' and that's interpreted by his peers as 'mentally retarded', by his teachers as 'slow' — and by himself as being slow -- it can have a devastating effect."

The mainstreaming of handicapped children into regular classrooms has caused some serious problems. In the case of emotionally disturbed students, especially, the intrusion upon the regular school students' physical and emotional well-being and the usurpation of the teacher's and the regular students' time in dealing with a disruptive student (who is oftentimes protected from normal disciplinary procedures) has elicited cries of protest. In 1982, in Board of Education v Rowley, the Supreme Court did rule that while schools had to provide an equal opportunity for education to handicapped children, they did not have to make sure that each child's potential is maximized.

Although the handicapped constituency has experienced some curtailment of its increasingly unreasonable demands, overall, it seems to be experiencing a great deal of success attaining its ends. At least two recent court rulings at the state level (Armstrong v Kline and Crawford v Pittman) have mandated year-round schooling for handicapped children, aged 3 to 21, to be paid for by the school districts. It has been estimated that the added cost to the nation -- assuming the rest of the states follow suit — will be approximately $1.29 billion a year. There has also been a concerted and successful effort to mandate pre-school programs for handicapped children, ages birth to 5. As of this September (1983) the New Jersey school districts were required to identify preschool children suspected of having developmental problems and to provide them with special education. Madeline Will, Assistant Secretary, Office of Special Education and Rehabilitative Services, is a strong proponent of this initiative and is pushing for its adoption nationwide.

There seems little prospect for a major change in the education of the handicapped scenario. Indeed, in top-down, mimicking fashion, thirty-four states have special education laws that have the same standards as does P.L. 94-142. Eight have standards that are more comprehensive than this federal law, and nine have standards that are less.[47]

On the positive side, there was a proposal to delete most of the detailed requirements of P.L. 94-142 and to keep the more general ones. The proposal sought to revise some of the present definitions, such as related services and timeline requirements for IEP's. It addressed the issue of disciplining handicapped children and of the right of local education agencies to consider how a handicapped child may disrupt the normal classroom before placing him in one. The proposal was strongly opposed by the handicapped constituency when it was first forwarded and has again been rejected by Madeline Will, who says the regulatory changes should be dealt with at the state level. Yet, we have just seen that federal guidelines are emulated by the states. Too, Washington, D.C. lawyer Martin Gerry just warned the states to be prepared for lawsuits under a little-used clause in P.L. 94-142 which requires states to provide special services if their school districts cannot.[48]

Laws for the education of the handicapped, then, have selfishly drained resources from the normal school population and most probably weakened the quality of teaching and falsely labeled otherwise perfectly normal children. In a misguided effort to help a few, the many have been injured.

The total federal appropriation for Rehabilitative Services for fiscal year 1984 is $1,072,900,000 with no changes in regulatory guidelines.

WHAT WE HAVE LEARNED

The philosophy which has guided educational policy for the past twenty years has its roots in the false hypothesis that man is his own source and endpoint -- that man is born of himself and lives to serve his own ends. This philosophy follows naturally from the belief that this earthly life is all there is. If this earthly life is the sum total of man's existence -- or the only meaningful part of it -- then inequalities do seem arbitrary, cruel, and intolerable. The well-meaning person who sees life from this point of view applauds and assists efforts to right the seeming unfairness of the inequalities between people, and is deeply puzzled (although he may refuse to admit it) when such efforts prove unsuccessful. What this individual fails to understand is that basic inequalities cannot be righted by fiat, for their roots lie far deeper than it is in any human being's power to eradicate in one lifetime. Human life is conditioned and unfree. It is conditioned by a universal order. Man is involuntarily subject to the laws of this order, for they are inherent in his very being. His only real freedom lies in his free will to allow this order to work through him -- or to oppose it.

The rightness of an action can be judged by the degree of its adherence to universal laws. When man breaks these laws, definite effects result: A person who places an unprotected hand in an open fire and thereby suffers burns would not consider himself oppressed by society or unfairly harmed. The effect he suffers comes from its cause -- his having placed his hand in the fire. In like manner, when the laws that order the universe are broken, they carry their own penalty. The penalty is attached to the action as surely as a burn accompanies putting the unprotected hand in the fire.

There is no injustice in the universe. As unfair as it may seem, a person's external circumstances do fit his level of inner spiritual development. The purpose (and the challenge) of life is for a person to take what he has and to use it for spiritual growth. Those of the handicapped constituency who seek to have others bear their burdens and eliminate their challenges are seeking to avoid the central issues of their lives. They falsely assume that the lottery of life has penalized them at random. This is not so. "Nothing comes to an individual that he has not [at some point in his development] summoned. Each of us is responsible for his life situation. It is through accepting this responsibility that the individual learns. . . When one blames his problems on external sources and thereby separates himself from a situation he has created, he is prevented from taking hold of and changing that part of himself which causes his difficulty. He becomes an ineffective malcontent who cannot evolve because he is separated from his source of change and is dependent upon those things which, in themselves, have no power to effect [real] change."[49]

The order in the universe is composed of different degrees of development. There is a higher (more advanced) and a lower (less advanced). "Development occurs only through the individual's own efforts. It is an impossibility to confer from without that which must be built from within."[50] Most important, development occurs over an infinite period of time -- in and out of the material body. Physical existence is one small page in an endless book.

Man cannot, then, within one short life span and from without, raise the lower to meet the higher. Because performance depends on evolution, the only way the performance of the lower can be made equal to that of the higher is artificially to constrain and pervert the performance of the higher, thereby defeating the purpose of existence, which is to evolve upward. This artificial constrainment is exactly what has happened over the past two decades. In the 1960's we shifted from the laudable goal of equality of educational opportunity to the impossible dream of equality of educational result in order to narrow the gap between high and low achieving students. In the words of George Roche, President of Hillsdale College, the narrowed gap between the two groups has been "accomplished more by a decline among the formerly high achieving than by significant advances among the low achieving. A 'rising tide of mediocrity' -- as it was recently called -- engulfed the schools whose focus shifted from academic excellence to a common denominator, usually the lowest common denominator."

RECOMMENDATIONS

The proper role of the federal government in education is no role. It was never intended that the federal government become involved in this domain. Education is not mentioned in the U.S. Constitution. Until fairly recently, federal interference in education was viewed as unnecessary and dangerous. In 1945, the National Education Association, in conjunction with the American Council on Education, issued a proclamation stating:

> "For more than a quarter of a century and especially during the last decade, education in the United States, like a ship caught in a powerful tide, has drifted ever farther into the dangerous waters of Federal control and domination.
>
> This drift has continued at an accelerated rate during the war. Present signs indicate that unless it is sharply checked by an alert citizenry, it will continue even more rapidly after the war.
>
> It is the deliberate and reasoned judgment of the two educational commissions who join the appeal which this document makes to the people of the United States that the trend toward the Federalizing of education is one of the most dangerous on the current scene."

The last 20 years have amply demonstrated the legitimacy of this concern. Control of education must be returned to those who have traditionally dealt with it best: the states, localities, and parents. To this end, tuition tax credits, vouchers, block grants, revenue sharing plans, educational enterprise zones, local education foundations, and other methods should be encouraged and/or adopted by federal policy makers.

Most important, however, there needs to be serious discussion about the purpose of education, an honest appraisal of the philosophy and policies that have brought education to its knees, and a unified effort to make the changes required. Guiding the battered ship Education into safe waters is going to demand moral stamina and courage from all of us. Enlightened leaders from all levels of national life must be called forward, for education is the life blood of the nation. They must have the power, the vision, the intellect, the moral courage, the experience, and the judgment to work unremittingly and unrelentingly only for universal welfare, secure in the knowledge that only in this way can the welfare of all be best assured.

QUOTATIONS FROM GARDNER'S WRITINGS ON HANDICAPPED

Senator WEICKER [quoting].

> Laws for the education of the handicapped, then, have selfishly drained resources from the normal school population and most probably weakened the quality of teaching and falsely labeled otherwise perfectly normal children. In a misguided effort to help a few, the many have been injured.

And then, Ms. Gardner goes on here:

> There is no injustice in the universe. As unfair as it may seem, a person's external circumstances do fit his level of inner spiritual development. The purpose—and the challenge—of life is for a person to take what he has and to use it for spiritual growth. Those of the handicapped constituency who seek to have others bear their burdens and eliminate their challenges are seeking to avoid the central issues of their lives. They falsely assume that the lottery of life has penalized them at random. This is not so. Nothing comes to an individual that he has not at some point in his development summoned. Each of us is responsible for his life situation. When one blames his problems on external sources and thereby separates himself from a situation he has created, he is prevented from taking hold of and changing that part of himself which causes his difficulty. He becomes an ineffective malcontent who cannot evolve because he is separated from his source of change and is dependent upon those things which, in themselves, have no power to effect real change.

Is this part of your new operation philosophically as far as the handicapped of this Nation?

Secretary BENNETT. I am not familiar with that document.

HIRING OF MISS GARDNER

Senator WEICKER. Would you like to read this? Did you just hire this woman as one of your consultants?

Secretary BENNETT. She is on the staff, on my staff, not a consultant. She is a member of my staff.

Senator WEICKER. This woman is going to be a member of your staff?

Secretary BENNETT. Yes; she is.

Senator WEICKER. And you are aware of this matter as it relates to handicapped?

Secretary BENNETT. No; I am not aware of this document.

Senator WEICKER. What do you think of it?

Secretary BENNETT. I want to read the whole document and review it and I would like to comment on it after I have read it.

Senator WEICKER. I can't believe this thing.

Secretary BENNETT. I am certainly not going to talk about a document I have not read.

Senator WEICKER. I certainly will submit the document to you. I find this the most incredible thing I have ever read as long as I have been in the U.S. Senate. What is the particular expertise of this woman, just out of curiosity; since your administrative budget is obviously within the purview of this committee, I want to know why you hired her. We apparently don't have money for the handicapped, and you have money to hire members of your staff that espouse this.

RESPONSIBILITIES OF MISS GARDNER

Secretary **Bennett**. Miss Gardner will be doing a number of things in my office.

Senator **Weicker**. Will she have anything to do with the handicapped?

Secretary **Bennett**. No; that will not be in her area. She has been in charge of education programs in the Heritage Foundation. She edited a newsletter and a series of updates and reports on education.

She is regarded by many people as a very thoughtful and sensible person about many matters in education.

GARDNER'S WRITING ON EDUCATION CRISIS

Senator **Weicker**. I am going to submit to you for comment to this committee two documents, the draft as prepared by Miss Gardner, and also the final draft as prepared by Miss Gardner of "The Education Crisis: Washington Shares the Blame." I would like your comments on the general thrust of these two articles.

Secretary **Bennett**. Sure.

Senator **Weicker**. I think they are incredible pieces of reading, and I would like to make them available now.

[The information follows:]

THE EDUCATION CRISIS: WASHINGTON SHARES THE BLAME

May 11, 1984

INTRODUCTION

That there is a crisis in American education is by now widely acknowledged. Exactly how the crisis is to be resolved, however, is in dispute. Many within the education establishment feel the nation's schools can be improved only with increased federal spending. The evidence, however, argues otherwise. Data from the past three decades demonstrate that, as federal involvement in education has increased, educational quality has plummeted. Between 1950 and 1980, for instance, the federal share of education financing soared threefold. Yet during this same period Scholastic Aptitude Test (SAT) scores fell from their 1963 peak by 36 points in mathematics and 54 points in verbal skills.

A major reason for this plunge has been the centralization of education policy making in Washington, D.C. From this power base, special interest groups have maneuvered Congress into creating programs that serve their own narrow ends rather than education's broad mission and are based on a set of unrealistic philosophical assumptions.

The civil rights movement, which sought to provide poor minorities with equality of educational opportunity through such federal programs as Title I, somehow bought the erroneous notion that equality of opportunity is synonymous with equality of outcome. Advocates for the handicapped used the civil rights approach to press Congress to pass The Education for All Handicapped Children Act; it rests on the questionable assumption that the responsibility for disabled individuals is primarily society's--as a civil right--rather than the family's with the help of society.

Such legislation, although enacted by well meaning politicians, has directed funding, attention, and policy to the "special" student. The evidence shows, regrettably, that such programs yield minimal positive results for that student and generally damaging results for the normal child. To this, advocates for the special programs turn their backs, denounce the data, and then demand even greater outlays for programs that fail to achieve their goals.

A first step in restoring the nation's educational health must be the dismantling of the power base of the lobbyists--the Department of Education. In addition, special schools should be established to meet the special needs of students (such as the mentally retarded and physically handicapped), who cannot easily be incorporated into a normal school program. These schools can be assisted through vouchers and tuition tax credits. Finally, Title I of the 1965 Elementary and Secondary Education Act should be abolished, and the responsibility for educating academically slow students returned to the regular classroom teacher.

Before these reforms can be instituted, the political hammerlock by supporters of ineffective programs must be broken. Critical to this is placing the documented results of these programs before the public and generating a national debate on the merits of centralized versus decentralized educational initiatives. To accomplish this, the President should appoint a national commission, drawn from parents and educators, to hold hearings, review the evidence, and publish a report. Unless the debate is conducted in this way--outside the narrow confines of Congress, where organized interest groups dominate the proceedings--the U.S. will never be able to deal with the needs of handicapped children or slow learners.

THE GROWTH OF THE FEDERAL PRESENCE

Funding

Total spending on public elementary and secondary education for FY 1984 is an estimated $125 billion.[1] This represents nearly 4 percent of the Gross National Product (GNP)--much higher than in most other industrialized nations.[2] Expenditures per pupil have risen dramatically in real terms (adjusted to discount inflation), from an average of $848 in 1950 to $2,228 in 1980 (measured in 1980 dollars).[3] But this has not prompted a rise in standards. Indeed, between 1963, when average SAT scores were at their zenith (math, 502; verbal, 478), and 1983, when they were near their nadir (math, 468; verbal, 425),[4] real dollars spent per student rose by 70 percent.[5] Moreover, a simple regression analysis, performed by the office of Senator John East (R-NC), reveals a significant negative relation betwen federal funding of the schools and performance outcomes. (Chart 1 illustrates this point.)

Centralization

The decline in academic standards also has coincided with greater centralization of funding. In 1950, 57 percent of education funding was provided locally; states contributed 40 percent; the federal government, 3 percent. By 1980-1981, however, the local share had decreased to 43 percent, while the states' share had jumped to 47 percent, and the federal proportion had tripled to 9 percent.[6]

Centralization has meant federal regulations ill-suited to local educational needs. State bureaucracies, meanwhile, invariably mimic the flawed programs and regulations that emanate from Washington. The result has been a general disempowerment of parents, school boards, and other local education agencies--who traditionally have fought to maintain high educational standards.

Questionable Philosophy

Advocates of centralized education policies often argue from three false assumptions:

1) That man's purpose and end are defined by man himself. If man determines his own end, they reason, then equality of result should be attainable by the right legislation. Any failure to attain equal result must therefore be the product of discrimination. Hence they turn to social legislation and court action to force equality of result rather than equality of opportunity.

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[1] U.S. Department of Education, National Center for Education Statistics.

[2] U.S. Department of Education: National Center for Education Statistics. When compared to the percentage of the GNP spent on education by other advanced industrial nations, the U.S. leads. The percentage of the GNP spent on K-12 education in Japan is 2.9 percent, in West Germany, 2.8 percent, and in England and France, 2.3 percent. (Calculated from data reported in the UNESCO, Statistical Yearbook, 1982, and personal communication with UNESCO, Bureau of Educational Statistics, Paris.)

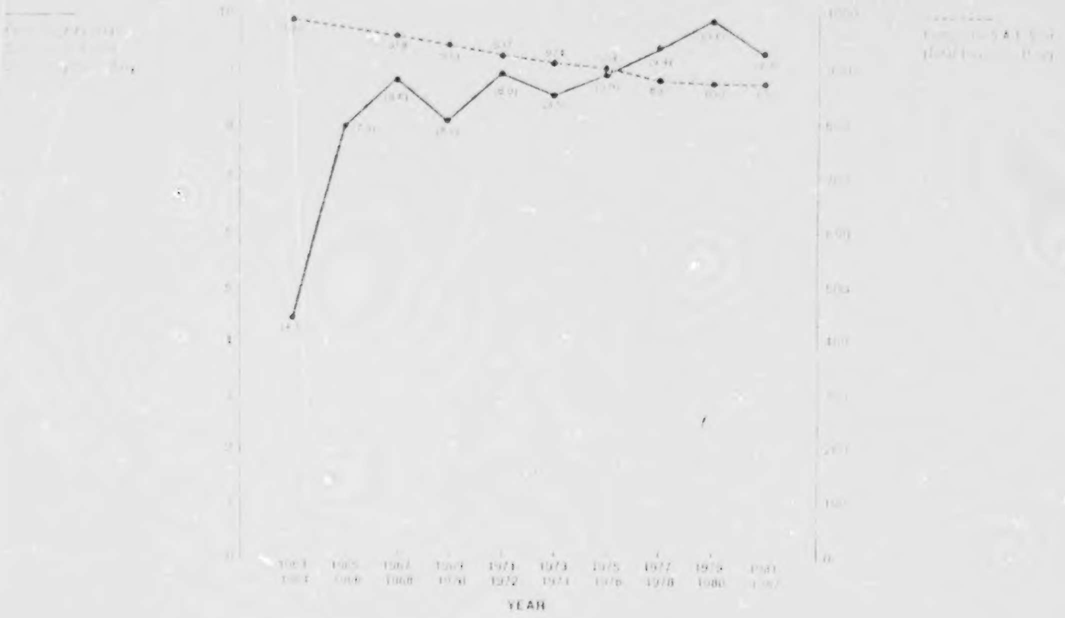
[3] Warren Brookes, "The NEA Versus Accountability in Public Education," Heritage Features Syndicate (Washington, D.C.: The Heritage Foundation, July 31, 1983).

[4] The decline in test scores is probably more dramatic than the data indicate. In 1963 the math and verbal SATs represented the average scores of all students taking these tests. Since 1967 the College Board has reported only the scores of college-bound seniors (Education Times, September 16, 1983)--the individuals presumably more academically capable than those who do not attend college. A truer comparison, then, would be between the college-bound seniors of 1963 and the college-bound seniors of 1983.

[5] "Education in America. #1 In A Series: Will More Dollars Buy a Better Education?" (Asheboro, North Carolina: Stedman Corporation, 1983).

[6] U.S. Department of Education. National Center for Education Statistics.

Federal Spending & SAT Scores 1963-198



2) That consensus determines what is right and good, rather than objective standards that have stood the test of time. This view ultimately repudiates the values and standards upon which a successful education system depends.

3) That the primary responsibility for dealing with an individual's disability lies with the larger political unit, rather than with the family and immediate community. Proponents of this view demand ever larger government programs and denounce their critics as having a wrong attitude toward disability.

Although several federal education programs embody these false assumptions and the steady growth of the federal presence, the two that are most heavily funded and generate the greatest policy debates are Compensatory Education and The Education of the Handicapped. Neither of these programs has achieved its goals, yet the educational establishment has managed to discredit any indication of this failure. They epitomize the triumph of politics over purposeful help to the needy.

CASE EXAMPLE--TITLE I/CHAPTER I

The Rationale

During the 1950s and 1960s, a plethora of studies sought to explain the dramatically inferior academic performance of black children in predominantly black schools. Rejecting all other possible explanations, social science researchers looked at environmental factors. They concluded that blacks were "culturally deprived," due to poverty and racial prejudice.[7] To remedy this, they argued, schools should be transformed into institutions that would achieve equality of result. This, in large part, was the aim of the 1965 Elementary and Secondary Education Act (ESEA).

Title I (now Chapter I)[8] of the Act provides aid to states and school districts for compensatory education for educationally disadvantaged children from low-income families. By 1983, Chapter I programs were receiving $3.2 billion. Cumulative federal spending for compensatory education exceeds over $38 billion.[9] In the FY 1984 budget, $3.5 billion was appropriated. These funds will reach an estimated 90 percent of the school districts in America to serve between 4.5 and 5.5 million children.[10]

The Results

In the first seven years of Title I, $50 million was spent on evaluating the program.[11] Most of these evaluations were discouraging. The Westinghouse assessment of Head Start in 1969, for example, reported that initial gains made by disadvantaged children in preschool compensatory education programs disappeared in later years.[12] Recently, Stephen P. Mullen of the University of Pennsylvania and Anita A. Summers of Pennsylvania's Wharton School of Business surveyed the findings of 47 studies on the effectiveness of compensatory education. Their findings reinforce earlier studies. They conclude:

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[7] Diane Ravitch, *The Troubled Crusade: American Education 1945-1980* (New York: Basic Books, Inc., 1983), p. 150.

[8] Title I was changed to Chapter I in the 1981 Omnibus Budget Reconciliation Act. The change constituted in large part a reduction of federal regulation requirements for local school districts. (For example, local school districts are no longer required to have parent advisory councils.)

[9] White House Report, "Cost Effectiveness of Compensatory Education Programs," 1983.

[10] *Fairness II: An Executive Briefing Book* (White House Office of Policy Information, May 1, 1983), pp. 65-66.

[11] Carl F. Kaestle and Marshall S. Smith, "The Federal Role in Elementary and Secondary Education, 1940-1980," *Harvard Educational Review*, November 1982.

[12] Westinghouse Learning Corporation, *The Impact of Head Start: An Evaluation of the Effects of Head Start on Children's Cognitive and Affective Development* (Washington, D.C.: Clearinghouse for Federal Scientific and Technical Information, June 1969).

> The results of most studies are overstated because of the upward biases inherent in several standard statistical procedures.
>
> The gains appear to be greater in the earlier years, and the evidence is fairly strong that early gains are not sustained.
>
> No significant association exists between dollars spent and achievement gains.
>
> No approach or program characteristic was consistently found to be effective.[13]

The gains of the remediated educationally slower students thus have been modest at best and may well have been purchased at the expense of academically talented students--that pool of talent from which the nation traditionally has drawn its leadership. Between 1967 and 1975, the number of students scoring above 700 (of a possible 800) on the mathematics section of the Scholastic Aptitude Test declined by 15 percent.[14] From 1979 to 1980 alone, the number of students scoring over 750 fell from 2,650 to 1,892 (verbal) and from 9,059 to 7,675 (mathematics).[15]

Critics of Chapter I argue that these disappointing results are the inevitable result of a faulty system. They note that most components of the Chapter I program are separated from the regular education program; it has a separate administrative structure and separate teaching personnel; approximately 50 percent of these Chapter I personnel are paraprofessionals who, on the whole, are not as skilled or as knowledgeable as regular school teachers.[16]

By far the strongest criticism leveled against Chapter I is that, in practice, it separates the slow student from the regular classroom. This has labeled the targeted student, and it has weakened the regular teacher's commitment to working with students who require any extra effort. It has muddled the education curriculum,[17] and produced a cadre of special needs personnel whose financial and professional interests lie in maintaining enrollments.

These disturbing results should have led policy makers to examine the assumptions upon which compensatory education was based. Yet during the 1970s they merely shifted their focus from assessing effectiveness to ensuring the money reached the targeted population and that the program was properly implemented.[18] Currently, according to Carl Bereiter of the Ontario Institute for Studies in Education, the "two lines of retreat" from the disappointing study results have been to diagnose individual education problems and to pull all students possible into the compensatory education rubric.[19]

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[13] Stephen P. Mullen and Anita A. Summers, "Is More Better? The Effectiveness of Spending on Compensatory Education," Phi Delta Kappa, January 1983, p. 339.

[14] Fact Sheet from the National Convention in Precollege Education in Mathematics and Science, May 12-13, 1982 (Washington, D.C.: National Science Foundation).

[15] Solveig Eggerz, Why Our Public Schools are Failing and What We Must Do About It (New Rochelle, New York: America's Future, 1982).

[16] Solveig Eggerz, Federal Aid for Social Engineering in the Public Schools (Washington, D.C.: ACU Education and Research Institute, 1976). Personal communication with an official in the Department of Education.

[17] Kaestle and Smith, op. cit.

[18] Kaestle and Smith, op. cit.

In the early 1970s, the educational establishment reacted by discrediting the standards measuring the program's failure. "We will need to recognize that the so-called 'basic skills,' which currently represent nearly the total effort in elementary schools, will be taught in one quarter of the school day. The remaining time will be devoted to what is truly fundamental and basic," stated Catherine Barrett in 1972 as President of NEA.[20] What was "truly fundamental and basic?" Said the NEA, "Schools [are to become] 'clinics' whose purpose is to provide individualized psychosocial 'treatment' for the student, thus increasing his value both to himself and to society."[21] Academic standards throughout education were lowered or eliminated; substantive academic courses were replaced by courses of highly questionable merit (including interpersonal skills and bachelor living); students were required to know less and less.

Despite the disappointing study results, the obvious difficulties in implementation, and the negative impact on high achievers, Congress appropriated another $3.48 billion for Chapter I in FY 1984.

The comparatively minor, short-term improvement[22] in the scores of the Title I students has been lauded as extraordinary and cited as ample justification for continuing to pour disproportionately high amounts of federal dollars into compensatory education programs. Studies that question the programs are dismissed or used as arguments for the programs' extension; critics are denounced as being insensitive to the needs of the disadvantaged; and localities opting not to use federal funds for compensatory education are attacked as irresponsible. Indeed, the assumption that the federal government and its partners--the special interest lobbyists--know what is best for American education has even prompted a move, championed by Secretary of Education Terrel Bell, to earmark block grant funds specifically for compensatory education programs. Thus, the centralized education structure provides a continuing power base for those wishing to extend programs that have yielded costly but disappointing results.

CASE EXAMPLE--EDUCATION OF THE HANDICAPPED

The Rationale

Education of the handicapped programs are also examples of how facts and results are dismissed when a powerful lobby group dominates a centralized system of education. The 1954 Supreme Court decision in *Brown v. Board of Education* had a profound impact on subsequent legislation and court decisions regarding the handicapped. *Brown* established the civil right of every school-aged child to a "quality" education and the principle that *de jure* segregation of any kind works against this goal.

During the early 1960s, the parents of handicapped children were concentrating their efforts at the state and local levels. Their goal was to use civil rights arguments to place all handicapped children in publicly supported education programs and to train special teachers to staff these programs.[23] In the late

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[19] *Education Daily*, May 2, 1984.

[20] Eggerz, *Federal Aid*, *op. cit*.

[21] Forecast for the '70's," *Today's Education, NEA Journal* (Washington, D.C.: National Education Association, January 1969).

[22] It would take a very large gain at the low end to offset a small loss at the upper.

[23] Ravitch, *op. cit*., p. 306.

1960s, Washington became the focus of these efforts. Title VI of the 1964 Civil Rights Act empowers federal officials to withdraw federal funds from any program that violates antidiscrimination laws and regulations.

The Campaign

The campaign was impressive. It had money and public sympathy, and it claimed the moral high ground.[24] Skillful lobbying led to the establishment of the Bureau of Education for the Handicapped (BEH) as the primary agency for administering and carrying out the education and training programs for the handicapped.[25] Congress also created the National Advisory Committee on Education and Training of the Handicapped. As intended, both became "advocacy agencies for the handicapped within the federal government."[26] From this base, the lobby succeeded in 1970 in increasing federal aid for education of the handicapped to include learning disabilities--thereby further strengthening the constituency.

Emboldened by their success with Congress, the handicapped constituency next turned to the courts. Pennsylvania was sued. In a landmark decision by a federal court in 1971 (PARC v. Commonwealth of Pennsylvania), the state was ordered to provide a free public education for all retarded children in the state.[27] A second, broader federal court decision in the District of Columbia the following year triggered similar decisions elsewhere. At least two recent state court rulings have mandated year-round schooling for handicapped children to be paid for by the school districts.

The campaign took another significant step forward in 1973, when Congress passed the Rehabilitation Act. Section 504, echoing the Civil Rights Act, "prohibits any program or activity receiving Federal assistance from discriminating against any persons because of a handicapping condition."[28] It requires public schools to teach handicapped children alongside their regular school peers if possible. Schools must also make available to handicapped children all extracurricular activities available to the nonhandicapped; pay for all nonmedical expenses if the district places a handicapped child in a residential school; and make "reasonable accommodation" to employ handicapped teachers.[29]

There was considerable opposition to these costly regulations. President Richard Nixon vetoed the bill, but Congress overrode the veto, thanks to the "iron triangle" formed between the handicapped constituency, the staff and members of congressional education committees, and the federal agency staff administering programs for the handicapped.[30]

The power of the triangle was further demonstrated in 1975 by passage of Public Law 94-142, the "Education for All Handicapped Children Act." This requires states and local districts to afford every handicapped child within their jurisdictions (between the ages of 3 and 21) a "free and appropriate public education" in the "least restrictive environment" (meaning wherever possible placing handicapped children in the same classroom with nonhandicapped--mainstreaming--with pull-out supplemental instruction for the handicapped students). In what a prominent educator has called "one of the sharpest intrusions of the federal government into the details of the teaching practice,"[31] every teacher of a handicapped child is required to write an Individualized Education Program for that child. P.L. 94-142 also sets up elaborate due process procedures, which encourage parents to initiate litigation whenever they are dissatisfied with a teacher's or school's handling of their child.

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[24] Ibid., p. 307.

[25] Report of the Committee on Governmental Affairs, op. cit., p. 44.

[26] Ravitch, op. cit., p. 307.

[27] John Pittenger and Peter Kuriloff, "Educating the Handicapped: Reforming a Radical Law," Public Interest, vol. 65-66, 1981-82, pp. 76-78.

[28] Angela Evans, "Education of the Handicapped," Issue Brief #IB78040, Congressional Research Service, December 7, 1982.

[29] Education Daily, August 30, 1972, p. 5.

[30] Ravitch, op. cit., p. 308.

The Results

However noble the motivation behind these requirements may have been, they actually have reduced the effectiveness of the education that many handicapped children once received.[32] Special needs students, accustomed to individualized programs, are placed in regular classrooms. These special students, predictably, are often tormented and teased, because of their emotional problems, mental retardation, or physical disabilities.[33] Valuable teacher time is spent on the highly questionable activity of filling out IEPs. Furthermore, opening pupil records and encouraging parents to challenge record content has led to the removal of much of the information the teacher needs to give the child an effective education.

P.L. 94-142 requires school districts to pay for "related services" without considering the income of the parents of the handicapped child. These services include the elimination of architectural barriers (installing elevators in some cases), hiring specially trained personnel (for example, psychologists, physical therapists, therapeutic recreation specialists, diagnostic personnel, and supervisors), the payment of private school tuition for those children who cannot be taught in public school--indeed, whatever a court decides.[34]

A 1981 report by Education Turnkey Systems, Inc. (a Virginia-based firm that conducts research and evaluations for federal, state, and local agencies) described the expenditures of states and localities on special services to handicapped children as "uncontrollable." Evidence indicates that 25 percent of one "state's local school transportation budget is spent on handicapped children who make up only 3 percent of the total school population."[35] To meet the towering and disproportionate costs of complying with handicapped regulations, many states and local school districts have reduced services to normal school children.

There has also been a dramatic increase in the number of children labeled Learning Disabled (LD) since P.L. 94-142 was enacted--the figure jumped 119 percent, for instance, between 1977 and 1983.[36] There are four possible explanations for this:

1) Mentally retarded (MR) children are re-labeled LD to avoid the MR label. The increase in LD students has indeed coincided

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[31] Statement of Myron Atkin, Dean of Education, Stanford University, in Ravitch, p. 317.

[32] The author has six years experience teaching handicapped children.

[33] Advocates for the handicapped have said that these "initial" adjustment problems in the main have been solved. Whether this is so, however, is debatable. Individual regular and resource room teachers still describe the mainstreaming effort as "problematic" and "disastrous." Protests from the normal school population may have been quelled by an unprecedented move to draw this population into the ranks of the handicapped through a "learning disabilities" label. Evidence seems to indicate that many normal children are being labeled handicapped and pulled out of their regular classrooms for "remediation."

[34] Subpart B (State Annual Program Plans and Local Applications), P.L. 94-142, Education for All Handicapped Children Act.

[35] Evans, op. cit., p. 11.

[36] Education Times, February 13, 1984, p. 6.

with a decrease in the number of children served as mentally retarded.[37]

2) Normal children are labeled LD so that school districts can receive more state and federal money. Says Harold Voth, Professor of Psychiatry at the University of Kansas and a member of the faculty at the Menninger Foundation School of Psychiatry:

> It seems very strange to me that in a few short years, since this program was established, our schools suddenly have 'found' a shocking one million additional children with learning deficits. But then when we consider that those one million children account for about 60 percent of the $930 million federal tax dollars sent to local school districts last year for 'special education,' the reason for that growth becomes clear.

3) Some teachers refer for LD placement students who require anything more than minimal teaching effort, to avoid their teaching responsibilities. Observes Dr. Joseph M. Scandura, Professor of Education and Director of Instructional Systems at the University of Pennsylvania:

> Teachers who have grown up in an atmosphere of unionism are much more concerned with how many minutes they have to stick around after the bell rings than they are with really helping children learn. Instead, children are frequently labeled 'learning disabled,' 'lazy,' or whatever, and walked away from. It's easier that way, and it takes less of the teacher's time.

4) LD class enrollments are kept high to guarantee the jobs of LD teachers. In many schools, the number of special needs personnel is rivaling--even outstripping--the number of regular school teachers.

The definition of learning disabilities is notoriously unclear, and there is a tendency to overuse it. According to Dr. Ralph Scott, Director of the Educational Clinic and Professor of Educational Psychology at the University of Northern Iowa, "Most school psychologists and special education personnel don't know what they're talking about when they talk about learning disabled children." This leads to many mislabeled, misdiagnosed children--and to their permanent emotional damage.

Laws for the education of the handicapped have drained resources from the normal school population, probably weakened the quality of teaching, and falsely labeled normal children. In a misguided effort to help a few, the many have been injured. Yet the handicapped constituency displays a strange lack of concern for the effect of their regulations upon the welfare of the general population--the very population upon whom the well-being of these children ultimately depends.

The constituency justifies these expensive regulations and their impact on education as necessary to ensure the inclusion of handicapped children in the social mainstream. It appears that no effort has been made to assess the effects of mainstreaming on regular students, although advocates for the handicapped do express "concern" over the alarming rise in the number of children being labeled LD. There has been no effort, however, by the Office of Special Education and Rehabilitative Services to redefine the LD category or to drop it from the funding formula.

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[37] "Disparities Still Exist in Who Gets Special Education," GAO Report to the Chairman, Subcommittee on Select Education, Committee on Education and Labor, House of Representatives, September 30, 1981.

RECOMMENDATIONS

The essence of public education is the transmission of knowledge. Subsidiary goals--no matter how noble the aim--must not be allowed to undermine this primary function. For two decades, however, advocates for groups with special requirements clearly have been eroding the fundamental goal. If their programs had succeeded with little negative impact on the rest of the student population, all well and good. But the evidence shows they have failed to benefit significantly enough the target populations and have severely limited the educational opportunities of many other children.

Nevertheless, the constituencies favoring the expansion of such federal programs have ignored this evidence--often vilifying those who present it--and have continued to press for more spending and more controls. They have been able to obtain these objectives largely by applying political pressure to government officials and for legislation far removed from the practical realities of programs.

To provide proper education for the disadvantaged and handicapped--effective help without limiting the opportunities for other children--the power of the "iron triangles" must be broken. Measures must be enacted to return control of education to those who deal with it best--the localities and the parents.

To accomplish this, a number of steps are necessary. Among them:

--Public schools should not be required to educate those children who cannot, without damaging the main purpose of public education, function in a normal classroom setting. Additional expenditures for special school or self-contained classroom placements should be the responsibility of the family and local community. Responsibility for oneself, one's family, and one's neighbors is a fundamental aspect of American social history and a key to the success of American society. When such resources are insufficient, only then should state and federal aid assist local initiatives--without forcing them to comply with mandates from Washington. Federal assistance should be seen as the assistance of last resort, and not a right.

--To fulfill this limited federal obligation, vouchers and tuition tax credits should be considered as a method of meeting the special needs of truly handicapped children, while keeping control of programs and initiatives firmly in the hands of parents. Vouchers would provide an earmarked grant to parents of the handicapped, so that they would have the means to choose between the alternatives--in short, to vote with their dollars.

--The learning disabilities category either should be redefined to reduce substantially the number of children labeled LD or dropped from the funding formula.

--Chapter I should be repealed. It has failed to accomplish its stated aim; input cost is excessively disproportionate to output results; it has created a new deprived group--the highest achievers; and it has weakened the education structure by narrowing what the regular teacher needs to know and do (i.e., how to teach slow students effectively). The way to help educationally deprived, low-income students is to spend the money locally to hire regular teachers who are knowledgeable, persevering, and dedicated to making children learn within the regular classroom. A modified tracking system would be suitable for this purpose.

--The Department of Education should be abolished. It has been the power base from which special interest programs have been imposed upon the nation's schools. To accomplish this, the public must be made aware of the facts surrounding many of the well-meaning but counterproductive programs supported by the education lobby. Consequently all Departmental programs should be examined closely for their impact on American education and the results made public A commission on compensatory education and programs for the handicapped, with members chosen by the President, should be established to undertake this difficult assignment and to report back within nine months.

CONCLUSION

It was never intended by the framers of the Constitution that the federal government should become involved in education. Education is not even mentioned in the U.S. Constitution, and, until recently, federal interference in education was viewed as unnecessary and dangerous. Indeed, in 1945 the National Education Association joined with the American Council on Education to issue a proclamation stating that "the trend toward the Federalizing of education is one of the most dangerous on the current scene." The last 20 years have amply demonstrated the legitimacy of this concern.

Control of education must be returned to those who have traditionally dealt with it best: the localities and parents. Most important, however, there needs to be freedom and perspective to examine the facts, serious discussion about the purpose of education, and honest appraisal of the philosophy and policies that have brought education to its knees. There then must be a unified effort to make the changes required.

Reform of the current expensive and ineffective programs can be achieved only if policy makers recognize that centralization of education in Washington has allowed the policy process to be dominated by self-styled advocates who refuse to accept any evidence that challenges the effectiveness of the programs they support. Only by reversing the process of centralization, and thereby denying a power base to such lobbyists, will the handicapped, slow learners, and other students with special needs obtain effective help with minimum disruption to the normal and gifted child.

Eileen Marie Gardner, Ed.D.
Policy Analyst

NOTES

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[1] Education Daily, August 29, 1983.

[2] "Education in the U.S.: Statistical Highlights Through 1979-80" (Washington, D.C.: National Center for Educational Statistics, 1981). When compared to the percentage of the GNP spent on education by other advanced industrial nations, the U.S. leads. In 1979, for example, the percent of the GNP spent on K-12 education in America was 3.7. In contrast are the percentages of the GNP spent on K-12 education in Japan (2.9 percent), West Germany (2.8 percent) and England and France (2.3 percent). (Calculated from data reported in the UNESCO, Statistical Yearbook, 1982, and personal communication with UNESCO, Bureau of Educational Statistics, Paris).

[3] Warren Brookes, "The NEA Versus Accountability in Public Education", Heritage Features Syndicate (Washington, D.C.: The Heritage Foundation, July 31, 1983).

[4] The decline in test scores is probably more dramatic than the data indicate. In 1963 the math and verbal SAT's represented

the average scores of all students taking these tests. Since 1967 the College Board has reported only the scores of college-bound seniors (*Education Times*, September 16, 1983) -- the individuals presumably more academically capable than those who do not attend college. A truer comparison between the two groups, then, would be that between the college-bound seniors of 1963 and the college-bound seniors of 1983.

[5] "Education in America. #1 In A Series: Will More Dollars Buy a Better Education?" (Asheboro, North Carolina: Stedman Corporation, 1983).

[6] Donald Lambro, *Fat City* (South Bend, Indiana: Regnery/Gateway, Inc., 1980), p.257.

[7] Brookes, *op.cit*.

[8] H. Carl McCall, "Reagan's Truth on Blacks", *New York Times*, June 23, 1983, p. A23.

[9] Diane Ravitch, *The Troubled Crusade: American Education 1945-1980* (New York: Basic Books, Inc., 1983), p. 150.

[10] *Ibid*.

[11] Benjamin Bloom, Allison Davis, and Robert Hess, *Compensatory Education for Cultural Deprivation* (New York: Holt, Rinehart, and Winston, 1965) (Reported in Ravitch).

[12] Ravitch, *op.cit*., p. 154.

[13] *Ibid*.

[14] Title I was changed to Chapter I in the 1981 Omnibus Budget Reconciliation Act. The change constituted in large part a reduction of federal regulation requirements for local school districts. (For example, local schools districts are no longer required to have parent advisory councils.)

[15] Report of the Committee on Governmental Affairs, United States Senate, To Accompany S. 991 To Establish A Department of Education and For Other Purposes, Together With Additional Views, Report No. 95-1078, May 17, 1978.

[16] White House Report, "Cost Effectiveness of Compensatory Education Programs", 1983.

[17] *Fairness II: An Executive Briefing Book* (White House Office of Policy Information, May 1, 1983), pp. 65-66.

[18] Carl F. Kaestle and Marshall S. Smith, "The Federal Role in Elementary and Secondary Education, 1940-1980", *Harvard Educational Review*, Vol. 52, No. 4, November 1982.

[19] Westinghouse Learning Corporation, *The Impact of Head Start: An Evaluation of the Effects of Head Start on Children's Cognitive and Affective Development* (Washington, D.C.: Clear-

inghouse for Federal Scientific and Technical Information, June 1969).

[20] Kaestle and Smith, op.cit.

[21] Ibid.

[22] Stephen P. Mullen and Anita A. Summers, "Is More Better? The Effectiveness of Spending on Compensatory Education", Phi Delta Kappan, January, 1983, p. 339.

[23] Solveig Eggerz, Federal Aid for Social Engineering in the Public Schools (Washington, D.C.: ACU Education and Research Institute, 1976).

[24] Gene V. Blass and Mary Lou Smith, "'Pull-Out' in Compensatory Education" (University of Colorado: Laboratory of Educational Research, 1977).

[25] Kaestle and Smith, op.cit.

[26] Eggerz, op.cit., p.6.

[27] "Forecast for the '70's", Today's Education, NEA Journal (Washington, D.C.: National Education Association, January 1969).

[28] Fact Sheet from the National Convention in Precollege Education in Mathematics and Science, May 12-13, 1982 (Washington, D.C.: National Science Foundation).

[29] Ravitch, op.cit., p. 306.

[30] Ibid., p. 307.

[31] Ibid.

[32] Report of the Committee on Governmental Affairs, op.cit., p.44.

[33] Ravitch, op.cit., p. 307.

[34] John Pittenger and Peter Kuriloff, "Educating the Handicapped: Reforming a Radical Law", Public Interest, vol. 65-66, 1981-82, pp. 76-78.

[35] Angela Evans, "Education of the Handicapped", Issue Brief #IB78040, Congressional Service, December 7, 1982.

[36] Education Daily, August 30, 1972, p.5.

[37] Ravitch, op.cit., p.308.

[38] Statement of Myron Atkin, Dean of Education, Stanford University, in Ravitch, p. 317.

[39] Evans, op.cit., p. 8.

[40] Ibid., p. 11.

[41] Susan G. Foster, "New Jersey Mandates Pre-School Special Ed. Program", Education Week, September 14, 1983, p. 9.

[42] Education Daily, August 12, 1983, p. 3.

[43] "To Assure the Free Appropriate Education of All Handicapped Children", Fifth Annual Report to Congress on the Implementation of Public Law 94-142: The Education for All Handicapped Children Act" (U.S. Department of Education, 1983).

[44] "Disparities Still Exist in Who Gets Special Education", GAO Report to the Chairman, Subcommittee on Select Education, Committee on Education and Labor, House of Representatives, September 30, 1981.

[45] Ravitch, op.cit., p. 310.

[46] "Disparities Still Exist", op.cit., p.11.

[47] Education Daily, August 19, 1983, p.3.

[48] Ibid., November 3, 1983, p. 5.

[49] Eileen Marie Gardner, Moral Education for the Emotionally Disturbed Early Adolescent: An Application of Kohlbergian Techniques and Spiritual Principles (Lexington, Mass.: Lexington Books, 1983), p. 28.

[50] Ibid., p. 28.

NATIONAL INSTITUTE OF EDUCATION BUDGET PROPOSAL

Senator **WEICKER**. You also have in your budget, as I understand, the administration's, level funding for the National Institute of Education?

Ms. **CHRISTENSEN**. That is correct.

Senator **WEICKER**. Is that right?

Ms. **CHRISTENSEN**. Yes.

Senator **WEICKER**. Is that level funding?

Ms. **CHRISTENSEN**. Yes.

Senator **WEICKER**. Which indicates the administration's support for it?

Ms. **CHRISTENSEN**. Yes; that is correct.

Secretary **BENNETT**. Yes. Yes.

Senator **WEICKER**. You also have, I gather from the letter we received during the confirmation proceedings and your appearance here on the budget, the administration's support of the Department of Education; is that right?

Secretary **BENNETT**. Yes, sir.

EDUCATION CONSULTANT—LAWRENCE UZZELL

Senator **WEICKER**. You have also hired as one of your consultants Mr. Lawrence Uzzell; is that correct?

Secretary **BENNETT**. Yes, sir.

Senator **WEICKER**. OK. Can I read to you a copy of a letter that he sent out at his own expense? It is called "The Abolishment of the National Institute of Education Project," Lawrence Uzzell, chairman, and the P.S. at the end of it is, "Abolishing the National Institute of Education is one battle in the war to abolish the Department of Education. This is a must-win battle for loyal supporters of President Reagan."

This is a man you just hired as one of your consulants?

Secretary **BENNETT**. Yes, sir.

RESPONSIBILITIES OF MR. UZZELL

Senator **WEICKER**. Does he agree with the administration proposals, the Department of Education, and NIE, or does he agree with what he has written here?

Secretary **BENNETT**. I haven't asked him whether he agrees with administration proposals.

Senator **WEICKER**. Don't you think that is rather key?

Secretary **BENNETT**. No; I don't. That is not the area in which I have him working.

Senator **WEICKER**. Good. We can have Miss Gardner express her views on the handicapped; she is not working in handicapped. Mr. Uzzell is working in the Department of Education. How can he not be involved with the Department of Education?

Secretary **BENNETT**. He is involved in the Department of Education.

Senator **WEICKER**. Which he wants to abolish.

Secretary **BENNETT**. That is his personal opinion and he has a right to it. That is OK.

Senator WEICKER. It is OK to have people working in the Department of Education abolish it?

Secretary BENNETT. Sure. We have tons of people preserving the Department. I don't think I should limit people taking appointments to those who want to see it grow. We should have a variety of points of view; that is all right.

He is not working on the question of whether there should be a Department of Education. As I said during my confirmation hearings, I think that is a nonissue at this time. He is working on questions of choice, tuition tax credits and vouchers, and other matters in which he is quite expert.

Senator WEICKER. Senator Chiles?

Senator CHILES. Thank you, Mr. Chairman.

HANDICAPPED BUDGET REDUCTIONS PROPOSED

Mr. Secretary, grants to States and localities for direct services are proposed at the 1985 level; cuts are proposed in the capacity building line items such as personnel training for teachers of handicapped children, bilingual, training grants, and special vocational rehabilitation, problems for the interdependent.

Would Federal funds cover only about 8 to 10 percent of the cost of educating handicapped children and serve less than one-half of the eligible children under programs like chapter 1? Wouldn't it be good policy to invest in those parts of the programs that enhance the State and local capacity to fill these gaps?

Secretary BENNETT. I have to ask Ms. Christensen to speak to that.

Ms. CHRISTENSEN. Senator Proxmire——

Senator PROXMIRE. That is Senator Chiles.

Ms. CHRISTENSEN. I am sorry, Senator Chiles.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT REDUCTION

In the Handicapped Training Program, we have reduced it somewhat, but we will still have $34 million for 500 continuations, and enough money—$16 million—for 240 new projects to train personnel to serve the handicapped.

We have reduced it because we do not have sufficient data at the present time on the exact shortages, or what areas the shortages are in, and why there are these shortages. We have started a study this year to get at that question and hope next year that we will have some more reliable data on which to base our estimate.

But the important thing is that at the present time, we do have enough for both preservice and inservice programs to continue training new teachers entering the area of handicapped teaching as well as teachers already in the classroom to deal with handicapped children who are being mainstreamed.

Senator CHILES. The deficit is certainly something we are going to have to deal with. Now our children and grandchildren are going to be paying for the years to come. It seems that we ought to be using a scalpel as we try to cut this spending.

Head Start studies show that children receiving services 20 years ago have lower stop-out, teen pregnancy, and delinquency rates, as well as higher graduation employment rates. Chapter 1 gains in reading and math are documented in all the studies that were national test scores.

We are certainly going to have a deficit if we fail to invest in these programs. We are going to be paying for that for many, many years to come.

PROGRAMS PROPOSED FOR OUT-YEAR INCREASES

Ms. CHRISTENSEN. I would just say that in the area of chapter 1, for instance, we have increased funding for that program in the out-years, as well as in the Handicapped State Grant Program.

This is just a 1-year freeze. We have five programs which are, we felt, our most critical programs, actually going up beginning in fiscal year 1987 to account for inflation.

This is a one-time freeze for 1986 for these very critical programs.

EXCELLENCE IN EDUCATION PROGRAM

Senator CHILES. Well, I notice that in another type of investment in this proposal is support for what the States and locals are going to reaffirm education and restore excellence. You propose cutting $5 million Congress provided in 1985 for excellence demonstrations of local education agencies.

Ms. CHRISTENSEN. Well, that $5 million is for that program of excellence in education. We have our own program of excellence that we think we can perform in a much more efficient way under the Secretary's discretionary fund. We do exactly the same kinds of things, and it is not an overly burdensome process. At the same time, we do have several——

TRAINING PROGRAMS

Senator CHILES. There is no request in 1985 or 1986 for the new LEAD Program to train new school administrators at better management and problem-solving skills. You propose total elimination of the International Education Program and the fund for the improvement of postsecondary education.

Ms. CHRISTENSEN. Yes; several kinds of training can be performed under two of our major initiatives for educational reform. Under the chapter 2 block grant program, the States can decide who to train and what kinds of training they want to perform. The Math and Science Program, which is a new program initiated by the administration, also provides training for teachers in those areas.

STATE MONITORING AND TECHNICAL ASSISTANCE

Senator CHILES. We have been seeing studies and surveys about the implementation of the education block grants. Some of the news is encouraging as far as the greater State and local flexibility to use funds to meet their needs. Some of the news is disturbing.

One thing I would like to focus in on is the issue of monitoring, an oversight of chapter 1 and chapter 2 block grants. A lot of the responsibility for this was transferred to the States, but some of the reports and studies are finding that the States are not really doing the job.

The part that concerns me is the evidence that the States are not getting the type of technical assistance and guidance from the Department when they request it. Some of that may be due to staff reductions in Washington and the regions, but there seem to be a lot of shifts from personnel out of the areas of expertise into totally different areas.

The request for advice and help from the States are sometimes met with a, "Well, that is up to you."

If the State asks for onsite assistance, they may hear that there are no travel funds. Are any of your rescission requests under section 2901 of the Deficit Reduction Act for corresponding section 515 of the 1985 appropriations bill for the staff and expense to help the States monitor and administer these block grants?

Ms. CHRISTENSEN. Absolutely not. We have left all of our travel funds for monitoring and technical assistance harmless. The only decreases in travel relate to attendance at conferences, making speeches that are not essential, training for staff at the Department of Education, things of that order.

There have been no decreases in travel for program or contract monitoring or for technical assistance to States or local educational agencies.

FEDERAL AUDITS OF BLOCK GRANT PROGRAMS

Senator CHILES. Well, there is another side to the coin. All the flexibility the States are getting in the block grants does not mean they are exempt from Federal audits in the use of these funds.

A number of States are in the appeal process now of chapter 1 and go under the Tydings amendment. No uniform accounting assistance is needed by the States as long as they use generally accepted procedures. Yet when they use a method that tags the obligation of expenditures for the fiscal year in which they were allocated and not only reconcile the books after the required 27-month period, they find themselves supposedly violating the Tydings amendment.

What is the Department doing to see that States either get the flexibility these block grants promise or information on how they are supposed to do the accounting to avoid the audit problems?

Ms. CHRISTENSEN. You are talking about chapter 1 and chapter 2?

Senator CHILES. Right.

Ms. CHRISTENSEN. Basically——

Senator CHILES. There doesn't seem to be any communication between the inspector general's office that ultimately audits, the General Counsel, and the program.

AUDITS OF CHAPTER 1 PROGRAMS

Ms. CHRISTENSEN. We are looking at that very carefully in chapter 1. For instance, I think some of the reports have been misleading. We have done a number of things as far as technical assistance being provided to the States. For instance, we held numerous State and regional meetings. In fiscal year 1983, we monitored 10 State educational agencies.

The next year, we monitored 25, and this fiscal year—1985—we are monitoring 30 States. So we have covered the State agencies themselves.

The technical assistance centers which we also support under chapter 1 have held over 3,200 workshops and onsite consultations in fiscal year 1983. That same kind of support is continuing this year.

Senator CHILES. The States tell me now that the difficulty is when they contact the Department and try to get some kind of answer, that answer won't hold up on the audit necessarily, so they are told, if they get an answer, they are told: You can do so and so. Then they come along and get audited.

They are in trouble for having done it that way. They ought to be able to get some kind of an answer that they can rely on, and they should not be penalized.

Ms. CHRISTENSEN. I know the results of a couple of audits that took place before enactment of chapter 1—in New Jersey and Florida, I think it was. They did have that problem, and the courts ruled on it. We would be glad to meet with you and your staff, Senator Chiles, to work out any of these problems and see what the specific questions were in those areas.

But all I am saying is that overall, we think we have done a very good job in using our limited resources to provide the kinds of assistance that the States need.

There have been problem areas, and these are problems that occurred sometimes several years ago, as far as misusing Federal funds. That really applied to the old title I program as opposed to the new chapter 1 program.

But we will be glad to look into any specifics.

Senator CHILES. Thank you.

MIGRANT EDUCATION NEEDS IN FLORIDA

Mr. Secretary, I would like to focus your attention on the program and what the State of Florida is facing on the education of immigrants and migrants alone. I had some people from Okaloosa County visit me recently. They brought pictures of one of the migrant labor camps in Volusia County. These are pictures of just a few of the children in that camp. I wanted to show some of those to you.

You can see that they come from as far away as Laos, and I didn't bring some of the horror pictures of the inside of the trailers and the places there, because this is not a housing hearing.

But there were children, I think, living in this trailer and a family of four living in the bus, and none of those were equipped with toilet facilities. These are people that are here now, their children are. We are going to be responsible for educating them and trying to determine what kind of citizens they are going to make in the future.

I think you can just multiply this picture with examples of transients all over Florida and, I suppose, the country. If you add that to urban policy and urban conditions in other places in Florida, what kind of deficit and what kind of cost are we going to have if we don't do something to invest in educational training of these children?

I just wonder where, in your education budget proposals, is the investment in early childhood education and compensatory services, or anything else where we are going to have a future for these children?

Secretary BENNETT. Ms. Christensen?

MIGRANT EDUCATION PROPOSAL

Ms. CHRISTENSEN. The proposal that we have for migrants would not harm any of these children we are talking about, Senator Chiles. We are just as concerned as you are about them.

What we are proposing is that a child who has been in a school system after he has moved and has stayed in that same school system for 5 years is really no longer a migrant child. That is basically their whole elementary school education.

What we are saying is that——

Senator CHILES. Well, if they don't move every 2 years, you take them off the program.

Ms. CHRISTENSEN. Every 3 years. We are saying that for the first year, fiscal year 1986, they can stay in for 3 years after the year in which they move; after that, they would be deemed migrant for 2 years after the year they move. So they would still be in the Migrant Program for 3 years, even after the proposal would be phased in.

The important point is that they would still be served by the basic chapter 1 program, and in the out-years, this program is scheduled to increase, anyway. It is just that they would not be served as migrants, because they are really no longer migrants at that point after they have lived in the same school district for 3 years.

They certainly would be eligible to receive the same compensatory services.

CHILDREN SERVED BY CHAPTER 1

Senator CHILES. Without inflation increasing, you can have a cut, for example, and as many as 200,000 children will be dropped from chapter 1 without an inflation increase. That is 7,000 in Florida, alone.

Mr. BAUER. Senator Chiles, the decision on how many children are served under chapter 1 is a State and local decision. The Department has tried to identify exemplary, low-cost chapter 1 programs so that, in fact, even in those years when we level fund the program, an equal number or perhaps even more children can be served. If, in fact, fewer children end up being served, it is not because of our budget proposal or our level funding but rather because the States have made a decision on how many children they want to serve and at what cost.

Senator CHILES. That is a nice way of saying it.

COMPETING NEEDS OF EDUCATION PROGRAMS

Mr. Secretary, you talk about the competing needs for our budget dollar with regard to tuition tax credits, and certainly, there are. But now we are talking about programs that have already been established by the Congress, have already been established by the administration and Congress and literally, we are talking about cutting these programs while we are starting a new subsidy program which would be tuition tax credits.

We are not meeting all the needs of migrants now; we are not meeting all the needs of the children that would be eligible in chapter 1 now. Why in the world would we be talking about starting a new Federal subsidy when we are not meeting those needs and we actually have proposals that would be cutting those programs? That is a poor choice of priorities.

Secretary BENNETT. Again, Senator, we have a variety of needs. I don't think there are very many Federal programs that satisfy all the ends and needs that one might designate. Nevertheless, we view our responsibilities as serving the whole range.

One can look through the 128 programs in the Department of Education without talking about any new program and argue, as you are arguing, that the needs here may be greater than the needs somewhere else. We are certainly prepared to do that.

Senator CHILES. Does the need for choice, for a freedom of choice, have the same priority as the need of trying to see that an immigrant child gets a basic education that is going to help to make his way later and not be a ward of the State; not be a further burden on the State?

Secretary BENNETT. They are both important, Senator.

Senator CHILES. They are both important?

Secretary BENNETT. Yes; they are.

Senator CHILES. Do you think it is all right to have a few of them out there that are wards of the State so we can give some people a free choice?

Secretary BENNETT. No; I don't think that is all right. But let's remember the Federal budget policy isn't the only budget policy that operates. There are also State policies.

If we want to talk about needs in society, we have to not only do an analysis of who needs what, but who should be providing it. Some things are appropriate for the Federal Government, and some things for the State agencies and local agencies.

I don't think you can determine Federal funding and Federal priorities just by talking about, if you will, values or needs in the society at large. There has been an appropriate role for various agencies of Government.

Senator CHILES. States could also provide for that freedom of choice, could they not?

Secretary BENNETT. Yes, sir, and they are.

Senator CHILES. I yield.

FEDERAL ROLE IN EDUCATION

Senator WEICKER. I was going to ask the Senator to yield for a minute. As I understand the Federal role in education, especially the area we are talking about, it is particularly designed to pick up those that, to use the expression, fall through the cracks. As I understand it, the elementary and secondary education is pretty much provided by the States and by localities as far as funding.

Senator CHILES. I think it should be.

Senator WEICKER. We all believe it should be. I don't understand what this has to do with your responsibility. We are talking about the Federal role. We talk about migrant workers. We talk about handicapped; we talk about disabled. We talk about economically disadvantaged. We talk about minority situations. It is the Federal Government moving in a very, very narrow area.

How do you relate that to the overall delivery of education done by the State and local governments at the secondary and elementary level? I don't understand that.

Secretary BENNETT. I'm sorry. I don't understand.

Senator WEICKER. In other words, if you remove the Federal Government from the areas that the Federal Government is active in by virtue of either freeze funding or a cut in funding, what do you conceive of, then, as a Federal role?

Secretary BENNETT. We are not eliminating the Federal Government's role in those areas.

Senator WEICKER. Why are we getting the Federal Government into the funding? Why are we getting into this broad area of funding in elementary and secondary education and tuition tax credits? We have never been there before. I thought yours was a philosophy of keeping the Federal Government out. We have not been in this other area.

Secretary BENNETT. Right, but I have to say, I don't think it is a decisive argument to say; because we haven't done it before, we shouldn't do it.

Senator WEICKER. So you are for the Federal Government getting into the business, in a broad way, in the business of secondary and elementary education?

Secretary BENNETT. I think in a limited way, represented by tuition tax credits, which is the specific thing we are talking about, yes, I am. That is a worthy idea.

Senator WEICKER. And out of the areas of migrant workers?

Secretary BENNETT. No.

Senator WEICKER. No?

BUDGET DEVELOPMENT

Secretary BENNETT. No; I mean, the budget is always a function of larger facts and circumstances. We are talking about tremendous deficits, as we all know, and we have to pay attention to a variety of ends, a variety of values and look at all these things in the mix. This budget compromise, obviously, in many cases, isn't going to provide as much money as people would want for this program or that program, and one can state the needs and talk about people who will not receive Federal funds or will receive a smaller amount of Federal funds.

But we can't get a deficit down without getting expenditures down. The Department of Education, as we look across the board in this budget compromise, has talked about the scalpel and the ax. If you look at the items throughout the budget compromise, the Department of Education comparatively fares quite well.

GARDNER'S WRITINGS ON FEDERAL ROLE

Senator WEICKER. One last comment before I turn it over to Senator Proxmire. To get back to Eileen Gardner, I think this is rather key. I hadn't seen this before I asked you the previous question—from the Education Daily of Wednesday, March 6, 1985.

> Eileen Gardner, an education fellow at the Heritage Foundation, said yesterday that she has accepted a top advisory post in the Education Department overseeing the new Office of Philosophy and Policy Development. Gardner said she will work out of Education Secretary William Bennett's inner office, advising him on policy, acting as a think tank, and setting a tone for the Department.

Let me read you the last part of Ms. Gardner's draft, which I am going to submit to you. "Recommendations: The proper role of the Federal Government in education is no role. It was never intended that the Federal Government become involved in this domain. Education is not mentioned in the U.S. Constitution."

RESPONSIBILITIES OF MISS GARDNER

Is this the woman that is going to be overseeing the new Office of Philosophy and Policy Development?

Secretary BENNETT. No, sir; she isn't.

Senator WEICKER. Is she going to set the tone for the Department?

Secretary BENNETT. She is not going to oversee the office.

Senator WEICKER. Is she going to set the tone to the degree that the proper Government role in education is no role?

Secretary BENNETT. Senator, there are a lot of intelligent people who don't believe we need a Department of Education.

Senator WEICKER. Are you one of them?

Secretary BENNETT. I really don't have time to think about it. [Laughter.]

SECRETARY'S VIEWS ON DEPARTMENT OF EDUCATION

It is the same thing we talked about at the confirmation. As I said at the confirmation hearing, to the flatout question, "Do we need a Department of Education", my flatout answer is that we do not need a Department of Education.

Senator WEICKER. And you are the Secretary of the Department?

Secretary BENNETT. That is right. I could be without a job in this position, and I do not think that the Government would be worse off without me or anyone else in this job. We have these laws. We have these regulations. They are in place. Having a Department of Education may be an administrative convenience. This is the same thing I said at the confirmation hearing.

The point is: Are we spending a lot of time worrying about this? No; about the only time I spend worrying about this is when you and I meet, when we talk about it.

The programs are there; we are trying to do our best to administer them, and I think in a sensible way. But I really don't think an attempt at character assassination, by saying of someone that they do not believe we have to have a Department of Education, is effective, because a lot of people don't believe it.

I don't think they are irrational or crazy.

RESPONSIBILITIES OF MISS GARDNER

Senator WEICKER. I don't generalize, because I realize the power of this office. I have quoted to you specifically the statements of one of your top advisors.

Secretary BENNETT. She is not a top advisor; she was misinformed. I told her she was not.

Senator WEICKER. Nobody is trying to assassinate her character. You are the great generalizer, as I recall, with your statements about what students were all about.

SECRETARY'S VIEWS ON DEPARTMENT OF EDUCATION

I have heard a lot of generalizations. I am giving you specifics. Let me ask you this: You just made a statement to me that indicated that at your confirmation hearings, you were not for a Department of Education?

Secretary BENNETT. No; what I said was it is not a matter of import to me. You then received a letter from the President saying——

Senator WEICKER. It is not a matter of import to you whether there is one or isn't?

Secretary BENNETT. That is right.

Senator WEICKER. And you are the Secretary of Education?

Secretary BENNETT. That is right.

Senator WEICKER. I think that speaks for itself.

Senator Proxmire?

DISCRETIONARY FUNDS—ALCOHOL AND DRUG ABUSE

Senator PROXMIRE. Mr. Secretary, the budget includes a proposal to eliminate the mandated set-asides for a few programs under the Secretary's discretionary fund. One of these programs, a rather small training and demonstration program of about $3 million, helps schools address the alcohol and drug abuse problem. The National Transportation Safety Board recently reported that about 15 percent of the Nation's senior high school students now drink heavily on a weekly basis. That is roughly 1.6 million students. Given the enormity of the problem, it seems to me we ought to keep a strong Federal presence here.

Will you allocate the alcohol and drug abuse money from the discretionary funds if Congress will remove the set-asides?

Secretary BENNETT. Sally?

Ms. CHRISTENSEN. Senator Proxmire, we definitely do plan to allocate money to that program, possibly as much as is going to it now, $3 million. The reason that we are requesting the elimination of those statutory minimums is that we feel that we need more flexibility in the Secretary's discretionary fund.

After we fund all of those and the national diffusion network, each year there are relatively few Federal dollars for the Secretary to do anything with in the way of new initiatives that are needed in critical areas in education.

But we definitely do plan to continue that program. As you know, that is a major initiative at the White House right now.

SECRETARY'S DISCRETIONARY FUNDS—PRIORITIES

Senator PROXMIRE. Briefly, give me a summary of the priorities under the $31.9 million included for the Secretary's discretionary fund, please.

Ms. CHRISTENSEN. The priorities would include the Alcohol and Drug Abuse Program; and it would include the Inexpensive Book Distribution Program, where books go without charge to poor children who would not have access to them.

We would give about $3 million or so to arts in education programs for handicapped and other children; we would continue the Law-related Education Program at some level. Those are the four mandated programs.

We would continue our national diffusion network, which is close to $11 million right now. We have provided support for career ladder master teacher projects that we may continue. We have an evaluation of chapter 1 that is ongoing and will continue for 3 years.

Senator PROXMIRE. I take it, then, that those are the main ones and that, roughly, your total adds up to about $32 million?

Ms. CHRISTENSEN. That is correct.

ACADEMIC TESTS AS AID ELIGIBILITY CRITERION

Senator PROXMIRE. Mr. Secretary, one of the ideas put forth in a recent article by Washington Post columnist Robert Samuelson is the requirement that all student aid be contingent upon passing a standardized academic test. When you consider the substantial number of college freshmen who now require remedial instruction in the basic skills and the high attrition rate in so many schools and universities, that idea seems to have some merit.

What do you think?

Secretary BENNETT. I am torn about it, Senator. I would be reluctant to have it be an examination devised to be administered by the Federal Government. However, if colleges and universities were on their own to come up with such a test and decide to abide by the results of it, I wouldn't have any objection to it.

Senator PROXMIRE. Since the Federal Government is involved so much with student aid, Samuelson's proposal would make such assistance contingent on their ability to pass the test.

Secretary BENNETT. Yes; my concern is that the Federal Government not get involved in what ultimately it would be getting involved in if we did this, which is setting standards for admission for institutions. That, it seems to me, would be a very risky business.

But again, as we saw in the proposal by Mr. Shanker of the AFT, which introduced a national teachers examination, colleges and universities on their own may decide that they want to do this. There is a lot of discussion going on about this right now, as you know, in regard to the eligibility for going to college, particularly eligibility of athletes. College presidents are all talking about this.

Senator PROXMIRE. What you are suggesting is that the institution itself might determine whether or not this student was eligible for aid?

Secretary BENNETT. Yes.

Senator PROXMIRE. Even though it is Federal money?

Secretary BENNETT. Yes; at least we might have that as a recommendation. I don't know that we would want to do it on the basis of a particular institution. It might be that the organizations of colleges and universities might give this some thought.

VOUCHER SYSTEM

Senator PROXMIRE. I understand you plan to review other programs and determine whether they might be better served by the voucher system.

Secretary BENNETT. Yes, sir.

Senator PROXMIRE. What programs are on your list?

Secretary BENNETT. Well, we are looking at the chapter 1 program, of course. We have done that before.

Mr. Bauer?

Mr. BAUER. We are actually looking at everything. I think there are several potential voucher areas in the Department, such as the area of vocational education. I could list the programs in which we are considering a voucher proposal.

Senator PROXMIRE. Would you do that for the record?

Mr. BAUER. Certainly.

[The information follows:]

OTHER PROGRAM AREAS IN WHICH A VOUCHER SYSTEM COULD BE APPLIED

To date, the only activity that the Department is specifically examining for the purpose of developing a voucher mechanism is the chapter 1 Grants to Local Educational Agencies Program. This proposal is still under discussion within the Department but is expected to be transmitted to the Congress before the end of the year. Another program area the Department may consider in the future for a voucher proposal is vocational education.

OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS—GRANTS AND CONTRACTS MANAGEMENT

Senator PROXMIRE. As you know, Mr. Secretary, the inspector general is presently investigating allegations of abuses concerning the manner in which grants and contracts are awarded by the Office of Bilingual Education and Minority Languages Affairs [OBEMLA]. According to newspaper reports, one grant application totaling $1 million was rejected or shelved at least three times last year by various Department officials and then was partially funded anyway.

What is the status of this particular application, and have the funds actually been allocated?

Mr. BAUER. We will provide for the record the specific situation that you are referring to. The Secretary quickly became aware of some problems in the bilingual program area. As you probably know, we have moved to change the leadership of that program in the Department, and it is a matter of high priority to get the management of the Department under control and make sure we don't have this sort of problem in the future.

Senator PROXMIRE. I understand the inspector general's investigation was prompted by a newspaper's freedom of information request 3 months ago for contract documents relative to the office. While I am glad the inspector general is on top of his game so to speak, how do you account for such a breakdown in the Department's warning system, which apparently detected no possible problems in the management of this office?

Mr. BAUER. We have not completed our internal investigation as to why some of these things apparently have happened in the bilingual area. Perhaps Secretary Bell would have been more effective if he would have filed his own freedom of information request with the Bilingual Office.

We simply had difficulty getting the information we needed. I think that situation is well on the way to being corrected. I don't think it is going to be a problem area in the future.

[The information follows:]

INVESTIGATION OF BILINGUAL EDUCATION GRANT APPLICATION

The grant application in question is within the scope of an ongoing investigation by the Office of the Inspector General. As a general policy, the Department does not provide information on such investigations until they are complete. Consequently, we are unable to provide additional information on this application at this time. The investigation by the Office of the Inspector General began in the summer of 1984, several months prior to receipt of the freedom of information request you mention. We expect the investigation to be completed during May 1985.

OBEMLA—FINANCIAL INTEGRITY ACT REPORT

Senator Proxmire. What about the requirements under the Financial Integrity Act? Apparently, the Secretary's report for 1984 merely noted that the Office of Bilingual Education needed to improve its internal control reviews in order to be consistent with the act's requirements at a time when it had already negotiated $4 million in grant awards with insufficient funds.

Mr. Bauer. I think the full extent of the problem in bilingual was not apparent when that report went to press.

Senator Proxmire. I have other questions for the record, Mr. Chairman, and I would appreciate it if they could be incorporated.

Senator Weicker. We will. Thank you very much, Senator Proxmire.

Senator Specter. Thank you, Mr. Chairman.

IMPACT OF AID PROPOSALS ON PRIVATE INSTITUTIONS

Mr. Bennett, has your Department undertaken any study to determine the impact on the reductions in scholarship aid on the number of small, privately funded schools since you have held that closed as a reduction?

Secretary Bennett. We have undertaken no specific study. We made some estimates, Senator, but those estimates were based on some reports that we received from some of the other association groups. I think that is right.

Mr. Bauer. Yes, Senator Specter; one of the problems is that the Federal aid is not the only money used to pay postsecondary costs. It is difficult to make judgments on whether the decrease in Federal dollars will result in a student dropping out of school, changing schools or perhaps accessing other resources that may be available.

Senator Specter. Mr. Bauer, I appreciate that it is difficult. I would suggest that it is very important to make that kind of assessment. I have held two forums in Pennsylvania, one in Pittsburgh and one in Scranton. Each one drew in about 1 dozen universities, their finance officers and representative students. The reports that I have had are that there will be a drop in enrollment in the range of about one-third, some a little higher, some a little lower. The universities and colleges make the representation to me that they simply won't be able to stay in existence on that basis.

Now, my sample is obviously very limited, but in trying to assess current budget issues which we are facing in the next 2 weeks and trying to assess what we are going to do in the Appropriations subcommittee later on in this year, that is something of tremendous concern to me as to what is going to happen. That is really something that I think the Department of Education ought to do when it presents the recommendation which it has.

Mr. BAUER. Fair enough; fair enough, Senator. It is the kind of thing one would like to do. I think there is great difficulty in finding the instrument for this assessment. Under our original administration proposal, we heard estimates of something like 15 to 20 percent of students would not apply to colleges under our original proposal.

But, I think it is not unfair to say that there is a tendency to exaggerate on the part of affected institutions. It may be the case that there will be some movement, but since the budget compromise of a little more than 1 week ago, we haven't had time to look at that.

I think when one looks at those compromise numbers of a $60,000 adjusted gross income level cutoff, and an $8,000 allowable cost cap minus the family contribution, that the percentages would be down considerably.

I have had a lot of anecdotal evidence, but you are talking about what the consumer, if you are the person buying the college education will do; and the situation in some ways is stacked toward saying: I will have to move or have to leave.

We are not suggesting that there wouldn't be any movement at all, but I frankly think that the notion that there would be a massive movement or that institutions would not survive with this, cannot, simply cannot, survive is incorrect.

Senator SPECTER. Why not, Mr. Secretary?

Secretary BENNETT. Because we have had a long history in private institutions, which are institutions that have survived. I suppose that is really the point I want to make.

They have survived. They have survived a long time. They have survived long before we had these programs, which are not treated as venerable, and that is OK; but they are really only several years old. Private institutions have managed to survive in a variety of circumstances, good and bad.

The current economic situation is such that I think all institutions are profiting from that.

There is the problem, Senator, one has to admit, that if we increase the involvement of the Government in the writing of loans, there may be, as a columnist in the Wall Street Journal put it the other day, there may be an addiction to Federal aid that has occurred in some places. That could be the case. We certainly haven't had the time since this compromise to analyze this in detail.

Again, I would think, with these figures of $60,000 income level and an $8,000 cap, that the proposal is very generous.

IMPACT OF AID PROPOSALS ON PRIVATE INSTITUTIONS

Senator SPECTER. Mr. Bennett, the problem I have with your response is that it is speculative. You just don't know. I don't think you can say because private institutions have survived that they will continue to survive. There has been a reliance built up on the programs, for whatever reason, and there is an abrupt change.

Had I believed that if the Department of Education is going to come forward and make very significant changes, the burden of proof—I don't want really to talk about it in terms of proof—but I don't want to take any chances with having a massive number of private schools or having a massive number of well-qualified students drop out.

If you are asking the Congress to make a modification, you ought to be in the position, it seems to me, before you come, to at least give us a study for some significant analytical process besides the kind of answers which we should give when questions are posed here this morning.

Another aspect that concerns me, for example, Carnegie-Mellon, in taking a look at their tuition rates, say they will be able to keep their school filled, but they will not have the same caliber of student which they had in the past.

I would again wonder if the Department has made any study as to what will happen generally if the students are dropouts, what happens specifically at places of scientific, mathematical study where there is such an important national purpose to be served by that kind of attraction for the highest caliber students possible.

Secretary BENNETT. Senator, I simply can't conceive of Carnegie-Mellon not continuing to attract the first-rate students it does, and that they would not be going there in the same numbers. I don't know that the burden of proof is on us to provide statistics which we simply cannot provide. The kinds of estimates, Senator, that you are getting arguably affect the colleges and universities but are also speculative.

My guess is that in some cases, they are inflated. I think what one has to do is just to look at the kinds of figures that we are talking about. Again, let's look at those figures. Up to $8,000 of allowable costs minus the family contribution, and a $60,000 adjusted gross income cap. Is this a reasonable amount for the Federal Government to be providing, willing to provide, in a year in which we have tremendous overall budget deficits? I think it certainly is.

Then one looks at the average cost of education; one looks at the kinds of options and choices that people would have under different circumstances, and it is very fair to me. But if I had those statistics and could present them to you, I would. But we don't.

Senator SPECTER. The schools have made analyses, going over a number of students who have been on aid, and I have talked to the students and have responded in a direct way. It is a limited assessment, only two locales with about 20 colleges and universities, but they have made it specific.

When you ask the Congress to go along with the program, I, for one thing, am reluctant to make changes unless I know what the effects are going to be.

EXPLANATION OF SECRETARY'S DIVESTMENT QUOTATION

Let me ask you one more question, Mr. Secretary.

Secretary BENNETT. Sure.

Senator SPECTER. I want to say this as gently as I can. The widely quoted statement about cars and stereos and vacations has been greeted with a tremendous adverse response by the students whom I talked to. If it were accurate, I think I ought to ask the foundation and ask, if it was accurate.

Secretary BENNETT. It was quoted accurately but not completely, and completely makes a big difference.

Senator SPECTER. What else had you said on that occasion?

Secretary BENNETT. If I can take 90 seconds, I brought it with me. I carry it everywhere.

Senator SPECTER. I think that is wise.

Secretary BENNETT. It is my badge or scarlet letter, as it were. The question, the last question at the press conference—I was almost a free man—on the subject of guaranteed student loans:

> You indicated, Mr. Bennett, there would be some impact that could not really be elaborated on. I wonder what impact you will see.
>
> Mr. BENNETT. There will be several kinds of impacts. It depends on the facts and circumstances of the family. For those families doing everything they can to support one child going to college with, perhaps, two or three others, they are going to have to tighten the belt even further. And, perhaps there will be even greater sacrifice required on the part of the student in question. In other places, in other circumstances, it may require less sacrifice. It may require, for some students, divestiture of certain sorts—stereo divestiture, automobile divestiture, 3-weeks at the beach divestiture.
>
> I do not mean to suggest this will be the case in all circumstances, but it will, like the rain, fall on the just and unjust alike. And no one can deny that setting this limit will have tough consequences for some people. But, when you are setting up your budget, your administrative proposal, you have to look to the larger picture. You have to look to where you think the target must be. I think the administration is absolutely right to think about the neediest students first.

So I said it, but I would say in my defense, Senator, it was fairly complex in the nuance of the statement, in talking about a range of consequences. The notion that I defamed all students, or suggested that this would be the implication for all students, is absolutely not true and the record shows that.

But what I did—since I am not used to television, I didn't do a lot of television at NEH—they took what is called a sound bite, 15 seconds, out of my statement. A lot of people have had an interest in running with that and characterizing it in a certain way and have had a jolly good time doing so.

Senator SPECTER. Did you get the sound bite on that item?

Senator WEICKER. Give us specifics.

Secretary BENNETT. They took the stereo part and went to the end. They didn't quote the part about it having an impact, a tough impact on some people, or that we have to look at the neediest students; they just took the part that made me look the worst.

EXPLANATION OF SECRETARY'S DIVESTMENT QUOTATION

Senator **Weicker**. I wonder if you would detail for the committee the basis for your statement vis-a-vis the generalizations to what students are all about. I wonder if you could detail that to the committee.

Secretary **Bennett**. Which generalization?

Senator **Weicker**. The generalization to stereos and cars.

Secretary **Bennett**. That is not a generalization of what all students are about. I said it would require one in four students——

Senator **Weicker**. Give me the generalization.

Secretary **Bennett**. I think it is not unreasonable to assume that when you are running a program that provides support for students whose family's income is over $100,000 in some cases—and obviously, we are trying to respond to that—that you may, at times, be providing for the affluent.

Senator **Weicker**. Don't you think it is a little bit or very unfair to make assumptions when, indeed, you don't know?

Secretary **Bennett**. I think 77 percent of the American people, in a Harris poll, said we should reduce aid to families that are wealthy, to families that are affluent. As you know, following my statement, several reporters got the opportunity to go to Fort Lauderdale, for which I want to thank them. But they went down to check out the accuracy of my statement. There are a lot of news reports to suggest that there are a few, at least 1 dozen or 3 dozen of the 200,000 or 300,000 at Fort Lauderdale who admit they are on student aid. That is all right. They can go to Fort Lauderdale if they want. I wouldn't say if a student is on student aid, he or she shouldn't go to Fort Lauderdale. The question in general, though, is, should the taxpayers have to support the college education of people who are affluent and who have luxuries.

I didn't suggest that was the case for all students or most students; but I did suggest that was the case, and I think it is true; it is the case for some students.

Senator **Specter**. Mr. Secretary, I bring up a point not to get into a debate, but it is not an uncommon practice to quote a selected part, and if you were quoted accurately in a selected part, you may consider yourself to be fortunate—[Laughter.]—if this is the first time as the head of a major department, and my suggestion, as I said to you at the outset, in saying it as gently as possible, I would suggest to you that you exercise any care you can to just not say things like that unless you really want to defend it, because it has caused a tremendous adverse action by students who feel they are being deprived and they are being insulted, as well. The question came to me about: Why do you Senators have limousines that drive you around Washington when the Secretary of Education is criticizing us for our cars? I responded that Senators don't have limousines, but the Secretaries do. [Laughter.]

Secretary BENNETT. Well, that was fair enough. I do have some sense of the reaction, Senator, and as somebody who has spent most of my professional life with students, I was saddened to see that the statement, as it ran, was taken out of context. Then after that, it was the subject of editorials and comments, various discussions and opinions, so that it became simply Bennett's characterization of students.

That is the way it happens. I was saddened by that. I have met with several groups of students to talk with them about it. I plan to continue to do so.

Senator SPECTER. Senator Weicker is prepared to give up our limousines for the Cabinet.

Secretary BENNETT. OK.

Senator SPECTER. Thank you very much, Senator Schweiker.

Senator WEICKER. You might have a yearning for your old colleague, and I miss him very much, but my name is Weicker. [Laughter.]

Senator SPECTER. See, I was quoted accurately. [Laughter.]

Thank you very much, Chairman Weicker.

GARDNER'S WRITINGS ON EDUCATIONAL POLICY

Senator WEICKER. I want to read for a few minutes. You have been talking about this, but I want to read further from this document here, your new assistant's paper

Secretary BENNETT. Would you like me to see if Miss Gardner could come?

Senator WEICKER. I have called both Miss Gardner and Mr. Uzzell.

Secretary BENNETT. Fine.

Senator WEICKER [reading].

> The philosophy which has guided educational policy for the past 20 years has its roots in the false hypothesis that man is his own source and endpoint—that man is born of himself and lives to serve his own ends. This philosophy follows naturally from the belief that this earthly life is all there is. If this earthly life is the sum total of man's existence—or the only meaningful part of it—then inequalities do seem arbitrary, cruel, and intolerable. The well-meaning person who sees life from this point of view applauds and assists efforts to right the seeming unfairness of the inequalities between people and is deeply puzzled—although he may refuse to admit it—when such efforts prove unsuccessful. What this individual fails to understand is that basic inequalities cannot be righted by fiat, for their roots lie far deeper than it is in any human being's power to eradicate in one lifetime. Human life is conditioned and unfree. It is conditioned by a universal order. Man is involuntarily subject to the laws of this order, for they are inherent in his very being. His only real freedom lies in his free will to allow this order to work through him—or to oppose it.
>
> The rightness of an action can be judged by the degree of its adherence to universal laws. When man breaks these laws, definite effects result: A person who places an unprotected hand in an open fire and thereby suffers burns would not consider himself oppressed by society or unfairly harmed. The effect he suffers comes from its cause—his having placed his hand in the fire. In like manner, when the laws that order the universe are broken, they carry their own penalty. The penalty is attached to the action as surely as a burn accompanies putting the unprotected hand in the fire.
>
> There is no injustice in the universe. As unfair as it may seem, a person's external circumstances do fit his level of inner spiritual development. The purpose—and the challenge—of life is for a person to take what he has and to use it for spiritual growth. Those of the handicapped constituency who seek to have others bear their bur-

dens and eliminate their challenges are seeking to avoid the central issues of their lives. They falsely assume that the lottery of life has penalized them at random. This is not so. Nothing comes to an individual that he has not at some point in his development summoned. Each of us is responsible for his life situation. It is through accepting this responsibility that the individual learns. When one blames his problems on external sources and thereby separates himself from a situation he has created, he is prevented from taking hold of and changing that part of himself which causes his difficulty. He becomes an ineffective malcontent who can't evolve because he is separated from his source of change and is dependent upon those things which, in themselves, have no power to effect real change.

The order in the universe is composed of different degrees of development. There is a higher—more advanced—and a lower—less advanced. Development occurs only through the individual's own efforts. It is an impossibility to confer from without that which must be built from within. Most important, development occurs over an infinite period of time—in and out of the material body. Physical existence is one small page in an endless book.

Man cannot, then, within one short lifespan and from without, raise the lower to meet the higher. Because performance depends on evolution, the only way the performance of the lower can be made equal to that of the higher is artificially to constrain and pervert the performance of the higher, thereby defeating the purpose of existence, which is to evolve upward. This artificial constrainment is exactly what has happened over the past two decades.

DISCUSSION ON GARDNER'S WRITINGS AND JOB RESPONSIBILITIES

Have you ever heard anything like this? [Laughter.]

Secretary BENNETT. Yes, sure.

Senator WEICKER. Were you interviewed by the Heritage Foundation?

Secretary BENNETT. Where was this published?

Senator WEICKER. The Heritage Foundation, a draft.

Secretary BENNETT. It is a draft; it is not published.

Senator WEICKER. She handed it out, as I understand, to the National Commission of Education.

Secretary BENNETT. It is not published.

Senator WEICKER. This is her work.

Secretary BENNETT. A draft. A draft is a draft. It is not a publication.

Senator WEICKER. It refers to some things.

Secretary BENNETT. Yes; I have heard things like this.

Senator WEICKER. The author is going to be a policy adviser to the Department of Education?

Secretary BENNETT. Yes.

Senator WEICKER. You really have faith in somebody that thinks like that?

Secretary BENNETT. Understand, Senator, she is, in many of the points she makes, in very respected traditions of theological thought.

Senator WEICKER. Theological thought?

Secretary BENNETT. Yes; each of us——

Senator WEICKER. This is the Department of Education and theology?

Secretary BENNETT. No, no; I tell you, we don't give religious tests at the Department of Education for employment. I have sat through a lot of hearings, and I have never heard any individual picked out and criticized in public for religious beliefs.

Senator WEICKER. Is this a religious belief?

Secretary BENNETT. Yes; that is a statement from her religious perspective and point of view. That each of us is accountable for his situation is a fundamental doctrine of Christianity.

Senator WEICKER. I thought this was a document—the document is entitled "The Federal Role in Education."

Secretary BENNETT. You didn't give me the title before you started to read it, but she pulls back——

Senator WEICKER. "The Federal Role in Education."

Secretary BENNETT [continuing]. She pulls back and talks about her own religion and beliefs and I don't think you should be flogging her in public because of that.

Senator WEICKER. I am not. This is somebody you have now hired.

Secretary BENNETT. Yes, sir.

Senator WEICKER. Apparently, according to her, to set the tone for the Department, and she is going to oversee a new Office of Philosophy and Policy Development?

Secretary BENNETT. She is not going to oversee it, sir.

Senator WEICKER. Why, as the head of this Appropriations subcommittee, should I not be concerned with it?

Secretary BENNETT. Senator——

Senator WEICKER. No; you can answer after I get through. As I said to you, the Federal role is a very, very limited role. It deals with the handicapped; it deals with the retarded; it deals with the disabled. It deals with the migrant workers. This is a very narrow role.

When I see this kind of thing, do you think I have a right to be concerned as to that particular constituency? Do you think I have a right to be concerned when I hear comments like this? Is this your belief?

Secretary BENNETT. May I answer now?

Senator WEICKER. Yes.

DISCUSSION OF GARDNER'S WRITINGS AND JOB RESPONSIBILITIES

Secretary BENNETT. You can, of course, be as concerned as you wish. If you have questions of Ms. Gardner, I think you should talk to her, speak to her about her views on handicapped directly. To read from this draft, unpublished draft, her views on the nature of man and the nature of human suffering and existence, in a way, I think, clearly is designed to make fun of those beliefs, is, in my opinion——

Senator WEICKER. Who has made fun of them? I think it is deadly serious business, Mr. Secretary.

Secretary BENNETT. Sir, I think you were reading them with a view toward publicly embarrassing Ms. Gardner. In all due respect, I think that is what you were doing.

Senator WEICKER. I am reading them as the head of the Appropriations Committee responsible to your agency in terms of funding of that agency. Should I fund this?

Secretary BENNETT. Senator——

Senator **WEICKER**. Then I see this, Mr. Secretary, with either the freeze or the cuts that attend funding to the handicapped.

Secretary **BENNETT**. That is fine, Senator. But again, Ms. Gardner is not going to be onboard as a special assistant for theological matters of Christian existential thought. She has, I think, demonstrated her ability and proficiency at the Heritage Foundation through a variety of reports. We can give you lots of copies of her published reports, things which she has published.

GARDNER'S WRITINGS ON AID TO THE HANDICAPPED

Senator **WEICKER**. Do you want me to read from the published report?

Secretary **BENNETT**. I think we should have a full record.

Senator **WEICKER** [reading].

> Laws for the education of the handicapped have drained resources from the normal school population, probably weakened the quality of teaching and falsely labeled normal children. In a misguided effort to help a few, the many have been injured.

Secretary **BENNETT**. Senator, I am not expert in these areas, but I am told by people in the handicapped community and various spokespersons in that field that there is a problem with identification and labeling, and Assistant Secretary Will told me that we are now counting something like about 44 percent of the handicapped as learning disabled. I think this is a very dramatic increase.

There is a concern that those who are seriously disabled may be losing benefits vis-a-vis those who are not. I think those are legitimate questions.

FEDERAL ADMINISTRATION OF HANDICAPPED PROGRAM

Senator **WEICKER**. I think Ms. Will does a fantastic job. Indeed, the handicapped and retarded have been greatly advocated by her. You are the Secretary of Education.

Secretary **BENNETT**. Yes, sir.

Senator **WEICKER**. You are responsible for your personnel.

Secretary **BENNETT**. Yes, sir, I am.

Senator **WEICKER**. You now have somebody that has been brought aboard as a high-powered consultant in the inner circle, if you will, and you indicated Mr. Larry Uzzell wants to abolish NIE and the Department of Education. He is another member of the inner circle.

I think I have every right insofar as being the chairman of the subcommittee charged with the responsibility of funding the Department of Education to inquire as to the attitudes of the Department as represented by these individuals.

Now, Mr. Secretary, we never heard your true feelings until your press conference during your confirmation process. It seems to be a rather negative attitude in this Department, and I would like to know exactly what to do with this budget insofar as: No. 1, seeing that it is properly funded; and No. 2, seeing that the funds get to the people who deserve the help.

Apparently, we have, as far as the handicapped are concerned, "Forget it". I won't use a paraphrase; I will stick to this document, both the draft and the published report.

I have never seen such a callousness as long as I have been here in Washington.

Secretary BENNETT. I hope you will talk to Ms. Gardner about it.

Senator WEICKER. I am talking to you.

Secretary BENNETT. But you are talking about Ms. Gardner's views from a document that I have not seen.

Senator WEICKER. You will have a chance to see the document, and she will have a chance to testify before this committee. Please understand when she does, she will be testifying as a member hired by you of your Department.

Secretary BENNETT. I understand. You asked about what will happen with your budget and your funds and where will they go. They will go where they should go, where the law says they will go, and I think you know that, Senator.

Senator WEICKER. No; I do not know that.

Secretary BENNETT. Assistant Secretary Will is in charge of that program. As you said, you think the world of her, something like that. You think very well of Assistant Secretary Will, and she will continue to be in charge of that program.

Ms. Gardner is not a special advisor on this issue or on theological matters, but she will, I think, assist me because she is an experienced person and a person with some believability.

FEDERAL CONCERN FOR HANDICAPPED

Mr. BAUER. Mr. Chairman, may I add something to this? The Secretary has been at the Department for about 7 weeks or so. Obviously, there are going to be——

Secretary BENNETT. Nine weeks.

Mr. BAUER. Nine weeks, excuse me. And obviously, there are things that he and you disagree on. This discussion is sort of a paradox, however, because I can say that in the 9 weeks that he has been there that we have talked quite often about the handicapped issue.

Senator WEICKER. Good.

Mr. BAUER. Although you may disagree on funding levels, I don't think that you and the Secretary have any disagreements about the commitment to the handicapped and the need to be sensitive in that area. The Secretary has had me in several times to discuss how we can make the programs more responsive; how we can make them work better.

He solicited Ms. Will's advice on that matter. Whatever Ms. Gardner's views may be on this, she has not been hired to advise the Secretary on the handicapped, and I think that in the weeks ahead, you will be more reassured as you see what we do, that this is not an area where there are great splits between your concern and our concern about this special population.

BUDGET FOR OFFICE OF EXECUTIVE DIRECTION

Senator WEICKER. My concern is, what is it, $100 million is requested in the Office of the Executive Direction; is that right, where you have the Office of Executive Direction, the request is $84,525,000; is that right?

Ms. CHRISTENSEN. That is right.

Senator WEICKER. These people, Uzzell and Gardner, are within this budget?

Ms. CHRISTENSEN. Yes.

Senator WEICKER. Is that correct?

Ms. CHRISTENSEN. It is also a large budget. It includes all of the overhead of the Department of Education; all of the Assistant Secretarys' offices; the Budget Office; the Grants and Contracts Office; personnel; finance; and all of the overhead for all of the programs within the Department.

JOB RESPONSIBILITIES OF GARDNER AND UZZELL

Senator WEICKER. I just want to make sure that as we pay these salaries—this is a budget item, it is an appropriations item—that the people that are being hired are the ones that will carry out the task entrusted to them by law.

I certainly don't get that impression from the documents, not in my opinion. It has nothing to do with philosophy. I don't care what your philosophy is. I very much care when I see the printed word out here, whether it is yours or anybody else's; the law is going to be fulfilled.

Secretary BENNETT. She has no, nor does Mr. Uzzell—neither Ms. Gardner nor Mr. Uzzell has any administrative responsibility vis-a-vis our programs. That is left entirely to the various divisions and the assistant secretaries.

Senator WEICKER. Would it be fair to say—I don't want to belabor this—that it is correct that she is going to oversee a new Office of Philosophy and Policy Development?

Secretary BENNETT. No; she will not oversee it. She was misquoted on that statement. She, in fact, will be the junior member of an office called the Office of Education Philosophy and Practice.

Senator WEICKER. Of Education Philosophy and Practice?

Secretary BENNETT. That is right.

Senator WEICKER. What will she do in that office?

Secretary BENNETT. That will be an office located, technically, in the Office of the Secretary. What I want done there is review and analysis on a range of issues that affect education in the Nation at large. That is, we will be talking about an agenda not set by the programs in the Department of Education, but by the kinds of debates in the Nation at large; educational reform; choice questions; the whole question of moral education; character education; curriculum reform; spending in the States; educational effectiveness and the like.

Senator WEICKER. It sounds pretty comprehensive for those that don't want to get the Federal Government into the area of education.

Secretary BENNETT. It is a matter of study.

Senator WEICKER. Mr. Uzzell, he is in that same office?

Secretary BENNETT. No; Mr. Uzzell is an assistant in the Office of the Deputy Under Secretary.

Senator WEICKER. For what?

Mr. BAUER. He is looking at the question of educational choice and which ways we can promote the philosophical commitment of the President to providing parents with more choice in the education of their offspring.

PELL GRANT BUDGET PROPOSALS

Senator WEICKER. You are proposing a major restructuring of student financial assistance which would, among other things, place a cap on the total amount students will receive from all sources, the megacap, is it still $4,000—under the compromise, $8,000?

With regard to the Pell grants, both your testimony and budget documents state that under the administration proposals, the amounts available to these students for family income under $12,000, would increase? Is that true?

Mr. DINGELDEIN. That is right, Mr. Chairman, from 76 percent to 85 percent.

Senator WEICKER. Of what?

Mr. DINGELDEIN. Percent of students from families with incomes under $12,000 that would be getting Pell grant funds.

Senator WEICKER. It would increase from 76 percent to 85 percent?

Mr. DINGELDEIN. That is correct.

Senator WEICKER. Tell me what the actual dollars are.

Mr. DINGELDEIN. It would be 85 percent of $2.7 billion in 1986.

Senator WEICKER. Which comes out to what? Let me tell you, would you please give or would the Secretary please give to me the actual dollars available to the neediest students under the Pell grants, increase or decrease under your proposal, and by how much, the dollars; not a minor percentage, the dollars.

Secretary BENNETT. Yes; give us a little time on that. I can't give it to you right now.

Senator WEICKER. No; I want it now. This is a major proposal, a major proposal. You have made a statement to the American people that we are going to have an increase under the administration's proposal as the percent available to neediest students. That is income under $12,000. I am asking for the dollars under the current law. What are the dollars available to these students?

If you dispute me, then that is fine; you can dispute me.

The current law is 76 percent of $3.31 billion, which comes to $2.52 billion. Under the administration proposal, it goes to 85 percent—correct me on that—of $2.68 billion and there, my friend, is an actual decrease of $240 million, am I correct, in dollars, now, in dollars? Is that correct?

Mr. DINGELDEIN. That is correct.

Senator WEICKER. Don't you think that is sort of misleading, Mr. Secretary, to the American people to go ahead and indicate that there is going to be an increase percentagewise while you or your staff knows there is an actual decrease of dollars?

Secretary BENNETT. If it is a dollar question, it is misleading to talk about a percentage.

Senator WEICKER. It certainly is a dollar question to these people.

Secretary BENNETT. Sure.

Mr. DINGELDEIN. Mr. Chairman, we have been very upfront, though, in our press documents and everything in terms of what the overall totals are, and we have not tried to conceal the fact this is an overall reduction.

Senator WEICKER. This was the Secretary's testimony today. We have a $240 million decrease in the moneys available to the neediest students. That is a fact that they are going to have to live with. Yet the statement covering this point in the testimony is, moreover, 85 percent of the Pell grant income would go to, compared to 87 percent under the revised 1985 request. If you read that as the American people, you would assume more was going to the neediest, wouldn't you?

Mr. DINGELDEIN. Or you would assume that of the amount requested that a higher percentage is going to the neediest students, which is the point we are trying to make.

Senator WEICKER. It translates into lower dollars, $240 million less to these students, and there is no if, ands or buts about that.

Ms. CHRISTENSEN. But the Pell grants were also going to some higher income students.

Senator WEICKER. I thought it was the neediest students.

Ms. CHRISTENSEN. That is right, and that is what we are talking about in terms of these percentages and numbers. There is a cutoff line. The ones to get the smallest amount of money are the ones that would be cut out of the Pell grant funding. I think that is what we are talking about. They would be able to obtain GSL's and the PLUS loans. They get very small amounts of money under this program.

GSL AID TO $100,000 INCOME FAMILIES

Senator WEICKER. I have one last question before I have to depart to testify at the Foreign Relations Committee, and Senator Inouye will take over as chairman.

You recently estimated, Mr. Secretary, that more than 13,000 students with family incomes of $100,000 per year are currently receiving guaranteed student loans. Yet those who conducted the survey on which your estimate was based claimed you had substantially misrepresented the facts. Furthermore, the American Council of Education found only 1 student in 10,000 with family incomes over $100,000. What is the actual count of the number of guaranteed loan recipients with adjusted gross incomes over $100,000, the actual?

Secretary BENNETT. Mr. Dingeldein, I think, can probably give you that.

Mr. DINGELDEIN. Mr. Chairman, we are still standing by our earlier estimates. Dr. Aston has been quoted in the paper as saying that based upon his estimates, it would be around 7,000 or 8,000. So what we are talking about is a difference between 13,000 students and 7,000 or 8,000 students.

Whichever figure you take, you are still supporting the President's statement that there are students from families with over $100,000 that are getting GSL loans. That was the whole point of the exercise, and so——

Senator WEICKER. To throw the program into disrepute.

Secretary BENNETT. No; just to show that we did need to do some work on it. I think that the budget compromise figure at the level of $60,000 adjusted gross income satisfies a general sense of fairness; and, again, we stand by our figure.

Senator WEICKER. Do you know what it takes for Senator Stafford to hang tough on an issue like this in a Republican leadership and me backing him up on the appropriations side?

Secretary BENNETT. What do you mean?

Senator WEICKER. Do you know what it takes in terms of political capital? We know what you tried to get away with, and we know we are up to $60,000 now. Even there, that may or may not fly. What I am saying is that I think we have received the administration proposal.

I think we understand it for what it is. Again, I think it raises the question of the entire matter as to just how committed the administration is to higher education to low-income people of this country. It would be much better if we had gotten something out of the administration in terms of increases.

A lot of them attempt to go ahead and gut the program, and only one or two Senators hang tough on the Republican side and are able to go ahead and at least get some measure respectibility back into those figures.

FEDERAL IMPACT ON HANDICAPPED PROGRAMS

In any event, the only exception I take is your administrative budget. I said up in Connecticut that I would get even with your statements by increasing your budget. So I think that is probably the best way to go after this in terms of those, whether they are handicapped or whether they are migrant workers or whether they are disabled; whether they are young people or whether they are poor. My own feeling is that I do believe that what this Government does can have an enormous impact on that human being.

I don't think it is a matter of genes or religion or anything else of that nature. I know, for example, and I just use a personal example, and nobody can dispute the facts. I know just as a matter of early intervention that my retarded child is going to be in the mainstream of society. I know that.

It used to be that everybody said, "There is nothing you can do with these people," and they got stuck in institutions. They said, "Look at the way their tongue rolls out of their head." Their tongue rolls out of their heads and if you sat in the corner and your head was down on your chest, you would lose all muscle control too.

"Look how fat they are. Look how fat they are." If you sat in a corner all day, you would be fat, also.

I know that the Federal Government came along and took these children, just within this last decade, the Federal Government took these children, and they put them in therapy and physical therapy, early intervention programs, et cetera, and they have changed the whole state of the art.

It has nothing to do with being preordained, or defying intervention, or we are all going to hack it ourselves regardless of the external forces. We represent the external forces as best as any human being can do, maybe imperfectly, but we try.

I figure if there is an important part of the budget insofar as not preordaining anything, but rather, guaranteeing opportunity to these, the frailest of our citizens, it lies in this budget, and that is why my concern is twofold: With the dollars and with the philosophy.

You have new ideas. Hey, I think it is great. But new ideas presuppose certain concepts of equality and humanity, and I find that that given, if you will, is not present in so many of the statements that I have read here and the budget figures that the administration has afforded me.

GARDNER AND UZZELL TO APPEAR BEFORE COMMITTEE

I would ask, incidentally, that at the beginning of the next hearing—when is the next hearing?

Mr. DOYLE. Tomorrow morning.

Senator WEICKER. At the beginning of the next hearing tomorrow morning that both Mr. Uzzell and Ms. Gardner, if they are available, present themselves to the committee to give them an opportunity to respond to the statements I have read and attributed to them.

FEDERAL CONCERN FOR HANDICAPPED

Secretary BENNETT. Certainly. May I just comment briefly? Of all the funds that we spend at the Department of Education in various chapters and titles, it is my view and Mr. Bauer spoke for me, but let me speak for myself—the funds that we spend to aid those who are truly handicapped, I don't think we spend better dollars throughout the agency than those dollars.

The concerns that we have, the concerns that Ms. Will has, the concerns of many people in the field—I have not taken up this question as thoroughly as I would like, but I will in the next 6 months or year.

I have been kind of preoccupied with higher education matters, with the aim of making sure that our program is targeted where it should be. I agree with you, Senator, that when you look at Government programs, those who truly are in need of help are those who cannot, in all circumstances, fend for themselves or those who have been neglected because of callousness or lack of insight or lack of information. They should be those who come first, I agree.

Senator WEICKER. Thank you very much.

Senator Inouye?

QUESTIONS FOR THE RECORD

Senator INOUYE [presiding]. Mr. Secretary?

Secretary BENNETT. Yes, sir?

Senator INOUYE. The chairman and members of the committee have several questions they would like to submit to the Department for your consideration and you can respond.

Without objection, these documents will be submitted, and on behalf of the committee, I thank you.

Just a minute. Senator Andrews, do you have questions for the Secretary?

Senator ANDREWS. Yes; thank you, Mr. Chairman.

PROPORTION OF STUDENTS AIDED UNDER PROPOSAL

On the issue of student financial assistance, Mr. Secretary, last October, at a University of Alabama rally, and we kind of go back to the time when we were campaigning, because that is when you lay out your course; you talk to the people of America, you indicate what you are doing. Reagan was quoted as having stated, "There is no Government help now for one out of every two students in the United States, and we have no intention of reducing that."

Are your current budget proposals consistent with the President's earlier remarks?

Secretary BENNETT. Well, I'm not familiar with those remarks, Senator, but circumstances, in fact, have changed.

Senator ANDREWS. And what changed since last October?

Secretary BENNETT. Well, I guess the budget deficit is even bigger than it was, even bigger than it was last October.

Senator ANDREWS. From what? Last year it was $172 billion, and they are anticipating $180 billion or so this year.

Secretary BENNETT. As you know, under our compromise, we are not talking about a terribly significant reduction in terms of dollars. We think that it is a sensible proposal. But maybe Mr. Bauer, who was at the Department at the time, can supplement my answer.

Mr. BAUER. I think under our proposal, Senator, we may, if they were enacted completely, we may be aiding slightly less than one-half. The change is not overwhelming.

As you know, the purpose of our changes, for the most part, was to redirect money to those most in need and to make sure that those in higher income brackets were not accessing the programs at a time of budget constraint, and that would result in some families not being able to access programs who currently can access them. So there will be some decrease in the number of students receiving aid. The Federal commitment, however, is still substantial and still would be close to 50 percent of those students.

ASSETS ASSESSMENT IN GSL NEED ANALYSIS

Senator ANDREWS. When the needs test for the Guaranteed Student Loan Program was reinstituted back in 1981 as part of the eligibility requirements, it was my understanding that a substantial number of low-income students were eliminated from the program. This was due, in part, to inclusion of family assets as well as family income.

In a State like mine, in North Dakota, they go back and they look at the farmland assets and virtually every one of our farm students has a difficult time getting student loans, because farmers are land rich and cash poor. With a cash flow that results in an income that is 2 percent return on investment, you can hardly say that they have the assets to send their children to college. Yet based on this, a lot of those students that come from the farm are precluded from student loans, and particularly, they are precluded from education that leads to graduate degrees.

My daughter graduates from medical school this spring. Let me add in a hurry, she is not on a student loan program. I learned a long time ago you don't try those things. If you did, they would be misinterpreted.

But of her classmates, almost invariably, because they are older, even though their families are in such an income strata that they would, in effect, make them ineligible, they are not dependent on their families any more. If you are going to have individuals get graduate degrees in law or in medicine, what you are doing is you are virtually eliminating those opportunities for them because you automatically assume that they are the creatures of their parents, even though they are in their midtwenties, and they haven't been fully supported by their parents.

Mr. Secretary, I know it is not your intent to do that, but that is how this thing is going to work out.

INDEPENDENT STUDENT DEFINITION

Secretary BENNETT. Under the budget compromise proposal, the independent student status, if I can speak to your last point, can be justified, can be supported. It is considerably more lenient than some of the original thinking about this.

Mr. DINGELDEIN. Right.

Secretary BENNETT. Bill?

Mr. DINGELDEIN. Mr. Secretary——

Secretary BENNETT. Mr. Chairman.

Mr. DINGELDEIN. Senator Andrews, the compromise proposal would change the independent student definition to simply require an additional year of independence to be proven as opposed to the administration's proposal which was simply to eliminate any aid to students under age 22 unless they were a ward of the State. So the compromise proposal would, in effect, recognize a greater amount of independence on the part of students, although not as much as in the case now.

But there is a recognition even in the higher education community, that perhaps some of the independent students are really dependents.

ASSETS ASSESSMENT IN GSL NEED ANALYSIS

Senator ANDREWS. Some abuse, perhaps, abuse that should be corrected. But limited opportunity is the thing that bothers me. The second part of my question, had to do with those children, those students who were going on for higher education and are still really counted as children of their families when, in fact, they aren't. But the major thrust of my question is, how do you address the issue of these farm families' children? Most of our students in North Dakota come from farm families, and based on your rules, they can't get student loans. The contacts we have with them, or many of them, indicate they are being denied the ability to go to school because arbitrarily, you throw them out because they come from wealthy families, which is almost laughable based on the press that we have been getting lately. It just doesn't fly.

They are finding that they can't go to college because they can't get those student loans.

Mr. DINGELDEIN. Senator Andrews, the way the rules are set up right now, the need analysis that is in place that is used by most colleges and universities does take into account or makes a great deal of allowances for assets. There are several ways in which this is done, and I can include for the record the specific steps that we go through.

But let me just point out that even after making all of these allowances, it can still be apparent to the financial aid officer that this student still doesn't have the resources. That financial aid officer has the discretion to waive the need analysis in this particular case.

IMPACT OF ASSETS INCLUSION ON FARM FAMILIES

Senator ANDREWS. What you say sounds wonderful, but that is not the way it is working out in the field, no matter what you say. The students from farm families are continuing to be negatively impacted. You apply the means; you don't look at net income. For many of these farm families, let me assure you that what you read in the newspapers is accurate. The Department of Commerce says they have a 2-percent return on assets in agriculture compared to a 14.5-percent return on assets in small business. You don't look at net income of the parents. You look at assets, and they are sitting out there with land that is claimed to be worth about $1,000 an acre. You couldn't sell it for $1,000 an acre. They are not in the market to sell it, in any event, and yet they are struggling along with it, if they make an income, an income in the neighborhood of $2,000 to $3,000, many of them with losses year after year, and yet the children from those farm families are being told, because your dad's a farmer, you can't get a student loan.

Mr. DINGELDEIN. Senator, there is something wrong, I think, during the implementation, because under these need analysis systems, they are supposed to look at net income and net assets. I would say that, for example, now if, in fact, farm land values are declining, then those net assets would be less and they would be eligible for greater aid. There is that kind of flexibility built into the system.

Senator ANDREWS. Let me explore the arithmetic with you. In my home county, the average farm size is 1,000 acres. That is average. It is not the big farm. That is the average farm size.

The average value of that land today is $1,000 an acre. That is $1 million. Most of those farmers paid a couple of hundred bucks an acre for it. They are probably carrying mortgages on it, maybe, of $300,000. They have net assets, according to your figure, of $300,000. God, that sounds just fantastic. Their income on that average farm in Cass County, ND, is in the neighborhood of $5,000. You carry them with an asset of $700,000. Students from that farm family can't go to college because they can't get a loan.

This didn't start with you. It started 2 or 3 years ago, but it is getting worse, and the new requirements you are putting in makes it almost impossible for a student from a farm family in the upper Midwest to get a student loan.

Because you look at the assets. The only way they can cash in on that asset is if they sell the farm and get out of farming. Maybe dad and mother don't want to get out of farming. They are only 40 years old. They hope maybe some day to get things coming back. You don't understand the uniqueness of that situation, and today, to the best of my knowledge, unless you tell me differently now, you have not shifted in the case of agricultural students, agricultural families, from looking at so-called net assets to look at annual income.

Mr. DINGELDEIN. Senator, in some cases, for example, if the student is only applying for a GSL loan and is not applying for any other Federal assistance, the student aid officer can use what we call simply a lookup table which doesn't even take assets into account. That is an option, and I'm sure that it is being used in many cases where the student is simply applying for a GSL loan.

Now, if, in fact, the student is getting other so-called campus-based aid, then the aid officer is required to use the same system in analyzing the need for the GSL loan. In that case, it would take into account the assets. But I have to come back again to the point that the financial aid officer has this discretion and perhaps isn't using it, and maybe——

Mr. BAUER. We would be happy to work with your office, Senator. Perhaps it is a communication problem.

Senator ANDREWS. If you could help out and if you could put in the record at this point any study the Department has made into the effects of assets inclusion on farm students trying to get loans, it would be most helpful. Because it is a problem.

IMPACT OF AID PROPOSALS ON INSTITUTIONS

According to a newspaper article that I saw a couple of months ago, in an interview early last February, Mr. Secretary, you justified the cuts in student aid by stating that, "The Nation's economic recovery has put institutions and colleges as well as individual families in a better position to help students attend postsecondary institutions."

How does that theory on your part reflect equity for those of us in the States in America where we haven't seen an economic recovery?

Secretary BENNETT. Two things, Senator. First, many of the institutions that we are talking about here, the institutions which have objected the loudest to reductions are private institutions. Many of those institutitions have done exceedingly well in the economic recovery in terms of their endowment funds.

Now, that doesn't mean that the family or the student in the family in a State where there has not been an economic recovery is any better off, but it does mean that at some of those institutions, their financial situation is better off so that they may be able to provide more aid to the student than before.

Second—I suppose I should say this first—our proposal, indeed, our initial proposal, and now our budget compromise proposal, is even more sharply aimed at the student whose economic situation is not fortunate. With the changes we have proposed, by putting an income cap at $60,000, a family with an income above that will not be eligible. We think we are getting more of that money to the student and the family who needs it.

Senator ANDREWS. Mr. Secretary, the problem I am speaking to is not Dartmouth or Yale or Harvard.

Secretary BENNETT. I understand.

Senator ANDREWS. The problem I am speaking to is our public universities in a State like mine or public colleges in a State like mine or private colleges, such as Concordia College and the Lutheran Institution that draw heavily from North Dakota, Mary College in Bismarck, or Jamestown College. They are the ones that are in the midst of this depressed economic area. They are having an extremely difficult time holding things together.

Yet Jamestown College, which has had help from the Department in the past, is being essentially crossed off the list. What plans are you making or what programs do you have in place to recognize the unique need of these public and private institutions in the areas of the country that are not making this kind of economic recovery?

Secretary BENNETT. Let me ask Mr. Bauer to say something after I have made an initial comment. The thing about the bad news is clear, as you made plain, Senator. The good news, if you will, under the budget compromise is, cost is also comparatively low at your public universities in your State, and even indeed the private colleges that you mentioned.

Senator ANDREWS. But because the student reservoir, shall we say, the number of students able to go to school in that area is coming down, they have a difficult time keeping the numbers up, even though education is a real bargain in that area?

Secretary BENNETT. Yes; it really is.

Senator ANDREWS. Compared to some of the other parts of the country.

Secretary BENNETT. It really is. For many of the institutions you are talking about, our budget proposal provides full cost.

That is the other side of not being, if you will, Harvard or Columbia or Dartmouth, where our cap of $8,000 might be one-half or two-thirds of the costs.

For many colleges and universities—99.9 percent of the public and something like 60 percent of the private colleges, aid levels would be adequate to cover costs.

Mr. Bauer?

Mr. BAUER. Just to reiterate, under the compromise that we have now of an $8,000 cap on aid, I think the kind of institutions you are referring to would certainly be covered by that $8,000 cap and, in fact, low- and lower-middle income families are going to get more aid under the compromise position in those schools than previously.

VARYING INSTITUTIONAL GRANTSMANSHIP ABILITIES

Senator ANDREWS. There is another disparity, as well. The science of grantsmanship is much better honed by the bigger eastern, more sophisticated private colleges. The private colleges in the Midwest, while they offer an excellent education, in fact, and in some cases bear out some interesting pluses, do a fantastic job of educating the students. Some students want to come to Jamestown College from New Jersey. That is because they welcome the change to get into a rural small town environment.

And that is fine. Yet the total input, if you move off the student loan itself, the student carries for the institution, the total Federal aid input per student is probably one-third as much in a Jamestown College or a Mary College as it is at a Dartmouth or a Yale or a University of Michigan. How do we correct that disparity to a better degree?

This isn't of your doing, Mr. Secretary. You haven't been here that long. This has been going on through administration after administration. We've seen disparities come up and I would suspect, Mr. Secretary, that we have that problem in Hawaii. In some of the schools and colleges in Hawaii the influx of Federal support per student is much less than it is in some of the better known institutions, and by a factor of two to three times.

Secretary BENNETT. Yes.

Senator ANDREWS. How do we address that to keep the quality of education and opportunity going in America? Have you put into motion anything in that direction?

Secretary BENNETT. I haven't, Senator. I can tell you I had some experience with this in my previous job at the National Endowment for the Humanities. In some ways, it was more difficult there, because it was a discretionary program. That is, everything that came in was prima facie eligible. There were few limitations. So you would get in your regular mail every day, sometimes, applications from some of the better known colleges and universities, the usual suspects, as we call them. They come in with an application for several hundred thousand dollars every day, while a smaller place with less resources, arguably in greater need of the resources, didn't have the manpower to gin up a proposal.

Maybe Mr. Bauer can comment.

Mr. BAUER. Senator, I don't think we really have any disagreement here. This is a problem that has concerned us within the Department also, and it is something that the Secretary wants to look at, when we send our reauthorization proposal up. We have allocation formulas that direct Federal aid to schools using a variety of yardsticks. Those formulas are often in the law. We are required to follow them. I became aware the other day of a rather well-off school that received, as I recall, a housing loan for the building of new dorms at an incredibly low interest rate, not because we chose to do that, but because the university met all the requirements that the law calls for in the application and received the money. It is something we are concerned about, and I think in the reauthorization proposal, hopefully, we can work with you and other members of the committee to come up with ways to deal with that.

FEDERAL EDUCATION PROGRAMS—INVESTMENT OR EXPENDITURE?

Senator ANDREWS. Mr. Secretary, you mentioned the challenge that we have with the deficit. I am just as concerned as anyone else about the Federal deficit, coming from our area. Again, farmers are faced with a problem. They need lower interest rates and better prices. That is a farm program in a nutshell. You are not going to get that until we get this deficit under control.

But don't you think, Mr. Secretary, that there is a difference between Federal spending programs and Federal investment programs? Don't you feel that educational spending, spending that provides opportunity for our people to make more of their talents is not a spending program so much as an investment program in the future of this country?

Secretary BENNETT. Well, it is both, because it is money, and we are spending it.

Senator ANDREWS. I know it is money.

Secretary BENNETT. Of course, it ought to be an investment program, and I wouldn't deny that. If we couldn't count on at least some high percentage of return on our dollar, I don't think any of us would want to defend the program at all.

The question I have, Senator, is how much constitutes a reasonable Federal commitment to education? I think $8,000 per student as a cap represents a very substantial commitment on the part of the Federal Government. I never saw anything like that before 5 or 6 or 7 years ago, and if we don't put a cap somewhere, the cost of Federal involvement will increase as the cost of tuition and higher education increases.

Senator ANDREWS. Mr. Secretary——

Secretary BENNETT. They are way out of control.

Senator ANDREWS [continuing]. We are talking about far more than just this $8,000 cap. We are talking about program input for elementary and secondary education.

Secretary BENNETT. Yes.

Senator ANDREWS. We are talking about that key area of teacher involvement. I happen to be a cosponsor of an act that would get the best, the brightest, and the most dedicated of teachers back into the educational system. You have identified them as people who can do an outstanding job and who have the feeling to do it—bring them back, give them the additional tools to work with and bring them back into the educational system.

These are all investments that will pay dividends. These are programs which we have not addressed in these few moments, and I am not going to take up the time of the subcommittee to do it. But these are the issues that concern me. Because if we begin to pull away from the basic support of elementary and secondary education, when you say Federal involvement, fine. Federal involvement is necessary, not necessarily involvement, because we want to keep control with the local school boards, but that child who is educated in Illinois may end up spending the rest of his life serving the people of California or the child from North Dakota may end up working in New York.

These, really, are national assets. That investment ought to be made out of a national equalization fund. Anything that we can do to encourage better education and better training for our identifiably competent and dedicated teachers, anything we can do to shore up elementary and secondary education, really, is far more important than what we are talking about in an $8,000 cap for higher education.

It is the whole concept that concerns me.

Secretary BENNETT. Yes, sir.

Senator ANDREWS. You do feel, as I understand, that this is an investment rather than an expenditure. Or are you thinking that it is a spending program that has to be cut back, per se?

Secretary BENNETT. As I said, it's both. I couldn't just say it is an investment, not when, in fact, we are spending money, too. But it is both. It ought to be as wisely crafted and focused an investment and a spending program as you can make.

TOTAL DEPARTMENT BUDGET

As I have been in the discussion, Senator, in the last week on this whole budget compromise picture, and as you look at the 128 programs of the Department of Education, a case, a good case, an arguable case, at least, can be made for everything. I am beginning to see that one of the facts of life in Washington is that everything is important. An argument can be made for everything.

One of the things an argument can be made for is where we started in our meetings yesterday with this deficit. When I looked at the reductions proposed in our compromise plan for the termination of a large number of programs and reductions here and reductions there, the Department of Education really came out quite well. There was a slight bit of the scalpel here, but in terms of sheer dollars, the kind of proposals we are talking about, in light of this terrible deficit problem, it looks to me like the Department of Education proposal is pretty reasonable. I wouldn't argue with you about the importance of all the things that you have mentioned.

The question is to balance that out with larger needs.

Senator ANDREWS. I want to submit the rest of my questions, Mr. Chairman, if I might, for the record.

Senator INOUYE. Without objection, so ordered.

DIRECTION OF FEDERAL INVOLVEMENT IN EDUCATION

Senator ANDREWS. Let me close by saying that I am deeply concerned about where we are going in education. When we concentrate as a nation on paying more and better salaries to our military leaders and seem to back away from providing additional education and better pay for our identifiable leading teachers, I think we are putting the emphasis on the wrong part of the investment. I would hope, Mr. Secretary, in your term in the Department of Education you can identify ways that we can provide incentives, we can provide the additional education, we can provide the additional tools for the basic classroom teachers without whom all of us in American would be much less, and without whom our future, of course, would be very dim.

I would hope that you can move in that direction. I appreciate, Mr. Chairman, your indulgence.

Senator INOUYE. Thank you.

IMPACT OF INCOME AND ASSETS ON STUDENT AID

Mr. Secretary, what is your definition of family income? Under your proposal, students with family incomes of more than $32,500 are not eligible. What is your definition of that?

Secretary BENNETT. It is the adjusted gross income, Senator, and the new figure that we are talking about in the budget compromise is $60,000, not $32,500. That has been reached in the last few days.

Senator INOUYE. As far as performance, my colleagues are talking about with regard to assets.

Mr. DINGELDEIN. The assets is another part of the calculation. The income is one part, and you look at the adjusted gross income in terms of the eligibility, but then in terms of how much aid, how much of a loan, you have to look at a student's need.

Once you have determined that a student is eligible, if he or she comes from a family making $60,000 or less in terms of adjusted gross income, then you will look at the need for assistance.

It is in that process that you look again at things like net income, net assets, and so forth.

IMPACT OF FAMILY SIZE ON NEED DETERMINATION

Senator INOUYE. Would it make a difference if that family has one, two or three students?

Mr. DINGELDEIN. Yes; it would.

Senator INOUYE. How much so?

Mr. DINGELDEIN. Well, that is part of the calculation. For example, normally, when a family is expected to contribute a certain amount, let's just say the amount is $4,000, if you have, say, two children in school, then you divide that by two and you would be contributing or you would be expected to contribute $2,000 on behalf of each of the children.

That is how it would work in that particular instance. But then there are also, for example, allowances made for the size of the family, depending upon the number of children. This is a complicated calculation. The books that go into it are maybe that thick. But suffice it to say that these kinds of things are taken into account in determining a need for assistance.

Senator INOUYE. I was talking about the GSL. You are at $60,000 now. Let's say I have three children going into college. Is the limitation of $60,000 complete?

Mr. DINGELDEIN. No, no; because the $60,000 is an absolute eligibility cutoff.

Senator INOUYE. Whether you have one going to college or five?

Mr. DINGELDEIN. It doesn't make any difference. The need analysis and that which takes into account the size of families becomes operative only below $60,000.

Senator INOUYE. So, therefore, you penalize families with many children?

Mr. DINGELDEIN. Well, this is certainly one of the effects. The policy objective here is to have some kind of objective, simple eligibility determination cutoff point. $60,000 is what is in the compromise.

Senator INOUYE. Is that part of the national policy to have small families?

Secretary BENNETT. No, Senator; $60,000 does represent 92 percent of American families. One can, under any set of circumstances, I imagine, have a situation where the person would not be eligible. Here, with an income of over $60,000 and several children, and I wouldn't want to venture Senator Domenici's situation, but he told me he thinks he has more children in college right now than any person in America; I am not sure that is true.

Senator INOUYE. Possibly. He has four.

Secretary BENNETT. Four in higher education? I don't think he said in America; but maybe in Washington or the Senate, I'm not sure.

But Senator Domenici, at the Senate salary levels as reported, would not be eligible. It isn't size of family as much as when we were talking to the House committee they pressed us very hard about setting some kind of income levels, because the President had spoken about families with income levels of $80,000, $90,000, and $100,000 getting assistance from the Federal Government.

It is not that the policy is based on the family size; it is that there is a sense of how much do we ask the taxpayers to pay for supporting the children of families in the top 6 or 8 percent of the national income.

Senator **INOUYE.** I thank you very much, sir.

Secretary **BENNETT.** Thank you, sir.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **INOUYE.** The questions from the various Senators, which I referred to earlier, will be inserted in the record at this point.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

POLITICAL APPOINTEES

Question: Mr Secretary, after two major reductions in staff in the Department over the last three years, numerous reassignments and downgradings, eliminating much of the Department's monitoring and evaluation responsibilities and technical assistance capabilities to assist States and localities, reasigning many employees to areas in which they had no expertise, all severely disrupting program operations, I was most interested to learn that the total of all people in the program offices in the Department number one-for-one the total of all people employed in "Executive Direction." The Department's management-to-worker ratio is 50 percent higher than the Government-wide education average. There are as many people in the intergovernmental and legislative affairs offices as there are people handling all elementary and secondary education programs.

Why is the proportion of political appointees increasing when program people are decreasing -- in proportion to overall Department employment?

Answer: The number of political employees in the Department has remained relatively stable at about 2.8 percent of the total staff. This is not a large proportion given the nature of the Department's work, which is very policy-oriented.

TRAVEL, PRINTING, AND STAFF REDUCTIONS

Question: Why are travel, printing and staff scheduled to be cut severely throughout the Department -- everywhere but "Executive Direction"?

Answer: Travel, printing and staff have been cut and are scheduled to be cut further in Executive Direction offices. The fiscal year 1985 Deficit Reduction Act rescissions included $260,000 for travel in Executive Direction; printing was reduced by $521,000 from fiscal year 1984 to fiscal year 1985. In addition, Executive Direction was cut by $2.3 million in consultant services in line with Section 515 of the Treasury/Postal Service Appropriations Act. From 1984 to 1986 we are projecting a staffing decrease of 19 percent in Executive Direction, while other Departmental staff will decrease by only 4 percent.

FIVE PERCENT PAY CUT

Question: Mr. Secretary, as you know, one of the proposals to help balance the budget is a reduction of some $6.3 million from the Department total in order to provide a 5 percent pay cut for all employees, I assume yourself included.

As the new boss at the Department, do you support the pay cut?

Answer: I support the proposed 5 percent pay cut for all employees as a Government-wide initiative to help balance the Federal budget.

Question: What is your view of its effect on morale, coming so close after two major reductions in staffing?

Answer: I would hope that employees would understand the necessity of bringing the Federal deficit under control and would support this effort.

GUARANTEED STUDENT LOANS--ELIGIBILITY INCOME LIMIT

Question: Your proposal for guaranteed student loans would render ineligible any student for a loan whose family income exceeds $32,500. In a recent hearing in Connecticut I was informed that some 24,000 of 61,000 current borrowers would lose all or some of their GSL--a loss of approximately $62 million.

Nationally, how many students would no longer be eligible for GSLs under your proposal?

Answer: We estimate that about 426,000 students would no longer borrow under either the regular Guaranteed Student Loan (GSL) or PLUS programs in fiscal year 1987, the first full fiscal year in which the income cap provision would apply. Of course, a greater number (corresponding to an estimated 25 percent of undergraduate and 5 percent of graduate dollar volume) would no longer be eligible to borrow highly subsidized regular GSLs. However, many of these students would switch their borrowing to the less subsidized PLUS program.

Question: You recently estimated that more than 13,000 students with family incomes of $100,000 per year currently receive Guaranteed Student Loans. Yet those who conducted the survey on which your estimate was based, claimed you had substantially misrepresented the facts.

What is the actual count of the number of guaranteed loan recipients with adjusted gross incomes above $100,000?

Answer: Since the Department does not collect data on the incomes of all individual Guaranteed Student Loan (GSL) recipients, we are not able to provide you with the actual count of those recipients with incomes above $100,000. However, we estimated the number to be about 13,000 based on data from the Cooperative Institutional Research Program (CIRP). The CIRP data is a sample of first-time, full-time freshmen across the Nation; therefore it was necessary to extrapolate from this sample to the total population of GSL recipients, including part-time students and graduate students. Because different methods can be used to estimate the universe of GSL recipients using the same basic data, estimates of the total number of GSL recipients with incomes above $100,000 may vary. The important point is not the actual number of such recipients, but rather that any students with such high incomes receive GSLs. Federal subsidies should be targeted on students from lower income families.

Question: Currently, the GSL eligibility criteria take into account such factors as exceptional circumstances, number of family members attending postsecondary institutions, various offsets to assets, and other factors such that students with incomes above $30,000 may be eligible for GSLs.

Would your proposal take into account any such circumstances as, say, catastrophic medical bills, number of family members in college, etc.?

Answer: Under the current GSL program, students from families with adjusted gross incomes of less than $30,000 are considered eligible for a loan regardless of any other family financial circumstances, including the family's accumulated assets. Students from families with incomes above $30,000 may receive a loan if need is demonstrated. The need test to determine eligibility takes into consideration a variety of factors affecting the family's ability to finance postsecondary education, including the family's size and other family members attending postsecondary schools.

Both the original budget proposal and the compromise provide for an absolute limit on income for eligibility, regardless of individual family circumstances.

STUDENT AID PROGRAMS -- MAXIMUM AWARD LEVEL

Question: Your student aid proposals would impose a $4,000 cap on the amount any student could receive from the Federal Government.

What is the maximum amount currently available to students from those Federal programs?

Answer: The Department's fiscal year 1986 budget proposal to limit the amount of Federal aid a student could receive to $4,000 per year only applies to the heavily subsidized Federal aid programs administered by the Department of Education. It does not include Federal student aid awarded by other Federal agencies such as the Veterans and Social Security Administrations, nor does it include PLUS loans or the State Student Incentive Grant program.

Under current law, maximum award levels are provided for each student aid program administered by the Department, except for the College Work-Study program which pays students on the basis of work performed. These programs and maximum awards are:

Program	Maximum
Pell Grants	$2,100
Supplemental Educational Opportunity Grants	2,000
State Student Incentive Grants	2,000
National Direct Student Loans	3,000
Regular Guaranteed Student Loans	2,500
PLUS Loans	
(Graduate students and parents of dependent undergraduates)	3,000
(Independent undergraduates)	2,500
College Work-Study	No Maximum

Theoretically, if maximum awards under all programs except College Work-Study and the PLUS program were made to a needy full-time student attending a high-cost institution during the 1985-86 award year, the amount of aid would equal $11,600. In addition, a student could receive substantial aid under the College Work-Study (CWS) program depending on the number of hours worked and his or her pay scale. On average, students earn $880 per year under this program. Furthermore, the student could receive a PLUS loan of up to $3,000. Including maximum aid under all programs and the average earnings under the CWS program, a student would receive $15,480.

PLUS LOANS AVAILABILITY

Question: While your budget maintains that so called "PLUS" loans to parents would add another $4,000 to the $4,000 mega-cap on regular programs, the National Association for Student Financial Aid Administrators asserts that "it is grossly unfair to suggest that a $4,000 mega-cap can be increased to $8,000 with PLUS loans because most students needing such loans would not be judged credit worthy, having no credit history, and thus not be considered good risks.

Have you considered such potential problems as difficulty in obtaining credit?

Answer: Any student, regardless of his or her family's financial resources, should be able to locate a lender willing to make a PLUS loan for the student. The PLUS program operates in all of the States and territories with about 4,000 lenders actively participating in the program. Although some lenders may restrict PLUS lending by requiring credit checks, such credit checks can be used solely to deny loans to those borrowers whose credit histories reflect consistently poor repayment records. Neither the lender nor the Department wishes to make loans to borrowers who will default. Furthermore, lending institutions are becoming more active in the program and, in fact, are beginning to view PLUS borrowing to support high cost educations as a method to develop a long-term relationship with a future up-scale customer, regardless of the student's current financial circumstances. In addition, because PLUS loans, like regular GSLs, are 100 percent guaranteed, no lender bears any risk of borrower default. Moreover, 10 States operated direct PLUS lending programs in 1984; and, the Student Loan Marketing Association (Sallie Mae), in conjunction with the Indiana National Bank and United Student Aid Funds, provides the PLUS Assured Access Plan for eligible borrowers regardless of economic conditions or geographic location. Finally, no complaints regarding PLUS loan availability have been received by the Department.

Question: How many applicants were there for PLUS loans last year and how many were turned down?

Answer: The Department does not have statistics on the number of applicants for PLUS loans who were turned down by lenders. However, 140,000 PLUS loans were made in fiscal year 1984 and we have received no complaints from parents or students indicating that they could not find a lender willing to make a PLUS loan.

Question: For what reasons?

Answer: The PLUS program is administered through the State and private non-profit guarantee agencies. The Department only collects information on the number of PLUS loans guaranteed. No information is collected on the number of applications rejected or the reasons why such applications may be rejected.

PLUS AND GSL LOAN REPAYMENT

Question: Isn't it true that PLUS loans have to be repaid almost immediately, while a student is still in school, yet Guaranteed Student Loans (GSLs) do not have to be repaid until a student begins to earn money?

Answer: Borrowers of regular Guaranteed Student Loans do not begin repayment until the grace period (six to nine months following their leaving school) ends. Repayment of PLUS loans generally begins within 60 days of disbursement. However, repayment of the principal amount of the loan may be deferred while the borrower is engaged in full-time study. Interest would accrue and be payable by the borrower during this deferment period. However, interest payments can also be deferred. Lenders may capitalize the interest that accrues during the in-school deferment period, adding this accrued interest to the borrower's unpaid principal balance.

Question: Do you honestly think that low- and middle-income families will be able to afford an additional financial burden of as much as $230 per month to repay the PLUS loans while the student is still in school?

Answer: It is only in exceptional cases that low- and middle-income families would face a monthly payment of $230 under the PLUS program. Each $4,000 borrowed at 12 percent would result in monthly payments of $89 (assuming a five-year repayment period). In order to have a monthly payment of $230, a parent would have to have borrowed between $8,000 and $12,000. It is difficult to conceive of a low- to middle-income family borrowing this much unless they have a number of children in college at the same time. For a low- or middle-income family, it is highly likely that the student would be receiving other Federal aid, including Pell Grants, NDSLs, and College Work-Study, as well as other non-Federal aid and would not require PLUS loans. Moreover, a monthly payment of $230 is not unreasonable, especially for middle-income families. Such a payment is about what the monthly payment would be to purchase a new car.

CHOICE IN HIGHER EDUCATION --BUDGET PROPOSAL EFFECT ON ENROLLMENT

Question: The Higher Education Act of 1965 clearly states, "That it is the responsibility of the Federal Government, consistent with the rights, duties and privileges of State and institutions of higher education, to select institutions and programs which meet their needs and abilities."

Many policy analysts agree with your predecessor, Secretary Bell, who wrote in Sunday's New York Times, that "the proposed legislation to cut student aid would result in the transfer of thousands of students from private to public institutions."

How does your proposal square with the element of choice mandated by the Higher Education Act since many students will be forced to transfer to lower cost public schools who otherwise would choose private institutions?

Answer: It is difficult to predict with certainty the impact of the President's budget proposals on students in terms of shifting from private to public colleges. We do not expect any drop in college enrollments as a result of our student aid policies. Some students and families may have to spend more on education and less on other things if their choice is a high-cost private institution. That would depend on whether non-Federal sources are sufficient to meet the additional cost of attending a private institution. Our budget policy does include sufficient funds to permit students to attend almost any public institution and the majority of private institutions in the United States. The students who would experience reduced Federal student aid packages under the President's proposed policies would be those from middle and higher income families who are attending relatively high-priced schools and low-income students attending very high-priced schools. Many of these institutions have other sources of aid, such as endowments, which may be drawn on to provide aid to students who need additional assistance.

Question: Wouldn't this proposal merely shift higher education expenses from the Federal budget to State budgets which support public institutions with State revenues?

Answer: Because we do not anticipate a significant shift in enrollment patterns, we do not expect a significant shift of higher education expenses from the Federal budget to State budgets. States, private organizations, and institutions themselves already provide financial aid sufficient to complement the Federal aid provided in our fiscal year 1986 budget request. Many of the high-priced private institutions have other sources of aid, such as endowments, which may be drawn on to provide aid to students who need additional assistance.

Question: Did you consult with the States about this increased burden?

Answer: The Department does not anticipate a significant increase in the States' share of financing postsecondary education, because we do not estimate a significant shift in enrollment patterns. Therefore, the States were not consulted about these proposals. Our proposals do affect higher income families and decisions regarding the extent to which State taxpayers should subsidize higher income families and higher cost institutions through tax revenues should be made at the State level.

ILLITERACY IN THE U.S.

Question: Mr. Secretary, it is estimated that in the U.S. today, approximately 27 million adults (1 in 5 persons) are functionally illiterate, unable to perform the simplest tasks of reading and writing. Illiteracy is the fertile breeding ground for increased dropout rates, unemployment, and crime, and costs our society billions of dollars in lost tax revenues, welfare payments, support for judicial and penal systems, etc. In your opinion, how serious is the problem of illiteracy in the U.S. and what specific programs and resources of your Department are you willing to commit to addressing this problem?

Answer: I consider the problem of functional illiteracy, as distinguished from that of basic illiteracy, to be one of the most serious educational issues facing the Nation today. While the population of the United States has a basic literacy level which approaches 100 percent, the disturbingly high estimates of functional illiteracy have negative implications for our society as a whole--economically, socially, and politically.

Literacy has recently become a major public issue in large part because of the attention called to it by this administration. In September 1983, President Reagan created the National Adult Literacy Initiative in this Department and called for a national, multisector effort on behalf of improved literacy. One obstacle to making real progress in the past has been a fragmentation of effort. I fully support President Reagan's contention that a solution to the problem can be found only through the encouragement and coordination of many different kinds of activities in all sectors of our society. Illiteracy is neither a simple nor an isolated problem, and there is no single key to its eradication.

The Department of Education will continue to support the improvement of our national literacy level through the funding of programs that contribute to the prevention or correction of illiteracy. Under my leadership, the adult literacy initiative will continue to explore ways of better coordinating and enhancing Federal activities for literacy, both within and outside the Department; to promote intensified State and local literacy efforts; and to stimulate new resources for literacy, particularly in the corporate and volunteer sectors.

Question: How can you expect to address the growing illiteracy problem with an "anti-literacy" budget that cuts the Department's overall budget by more than $2 billion, which completely eliminates Federal library funding and freezes such literacy programs as adult education and compensatory education?

Answer: The Department's budget is by no means "anti-literacy." Many of the programs funded by the Department of Education are intended, directly or indirectly, to prevent or correct the problem of illiteracy among children and adults. We continue to work with States and localities to encourage and further excellence in our schools. Furthermore, the Adult Literacy Initiative is working not only to make existing Federal literacy efforts more effective and efficient, but also to promote the increase of non-Federal resources--both human and financial--for literacy.

Question: Isn't it true that each year public libraries are using more and more of their Federal funds for community adult literacy programs?

Answer: It may well be true, but we do not have the data to support such a statement. We do know that the total number of literacy projects reported by the States more than doubled between

1980 and 1984. The assumption might be made that the use of Federal funds for this effort increased also. It also should be noted that the Library Services and Construction Act Amendments of 1984 included in the authorizing legislation for the first time specific reference to literacy programs in public libraries.

Question: According to the Business Council for Effective Literacy, the combined efforts of governments and the private sector are only treating about 5% of the problem. Isn't there more the Federal Government can do in this area?

Answer: The Federal Government, through the Adult Literacy Initiative, is attempting to do more through coordinating, consolidating, and enhancing Federal efforts for literacy. The Initiative has established relationships with the many other agencies that have literacy-related programs, such as the Departments of Health and Human Services, Labor, State, Defense, Justice, Interior, and the Veterans Administration. Four examples of promising interagency activities are:

- The Federal Employee Literacy Training (FELT) program, through which more than 50 Federal agencies are recruiting Federal volunteers throughout the country for local literacy programs and are locating available Federal space for use by these programs.
- Head Start literacy activities, wherein 16 local Head Start programs have received supplemental funds to create literacy programs for parents of participating children.
- A collaborative effort with the Department of Defense to translate recent research findings on literacy development in children into improved practices for adult literacy.
- Supplemental work-study grants totaling over $1 million in the last two years to colleges and universities that are using work-study programs to employ students to teach adults how to read.

The Department of Education will continue to cooperate with federally funded State adult education programs, volunteer literacy programs, business/industry/unions, service organizations and religious groups. The Department will also remain involved in networking activities for disabled out-of-school youth and adults, and in examining the special literacy needs of minority language groups.

More and better data on literacy in the United States must be gathered. Research must be continued to learn how best to teach adults who for whatever reason have not reached their full potential. More study must be given to the implications of existing research findings and of recent technological advances for the teaching of adults. The Adult Literacy Initiative is engaged in activities that attend to all of these needs.

Question: Does it concern you that the U.S. ranks only 49th among 158 U.N. member nations in its literacy levels?

Answer: I am very concerned about the current publicity being given this statistic because there are serious questions about not only its source, but its validity, regardless of source. This ranking was cited in Jonathan Kozol's recent book on illiteracy, which notes as sources articles in the November 25, 1982, Washington Post and the January/February 1983 Foundation News. Neither of these articles names the study or studies on which such a ranking might be based.

When the Department consulted with UNESCO, which is the branch of the United Nations that collects international literacy data, UNESCO personnel could not identify this ranking as being based on their statistics.

UNESCO data on basic literacy, which are based on census data from member countries, indicate that the United States has a basic literacy level of 99 percent. UNESCO does not collect data on functional literacy, which in any case is not available from most U.N. member nations. It is important to point out that international comparisons of even basic literacy data must be made cautiously because of wide variations in census-taking parameters from country to country.

With regard to functional literacy, most definitions of this term speak of those skills that allow one to function within one's group or community. It would be very difficult to make a simple quantitative comparison of functional literacy data among countries with widely different populations and stages of development.

The United States has had problems in determining how to gather data on functional literacy. In fact, most current estimates of functional illiteracy are extrapolations of the 1974 Office of Education Study of Adult Performance Levels. The Department of Education is fully aware of the need for current and reliable statistics and to that end has funded the National Assessment of Educational Progress to conduct a survey of the literacy skills of young adults. Results of that survey should be available by March of 1986.

CHAPTER 2 SECRETARY'S DISCRETIONARY FUND

Question: Your budget proposes to waive the statutory provisions relating to the minimum set-asides for a number of programs within the Chapter 2 Discretionary Fund. You indicate you need this to have more flexibility in allocating these funds among other priorities.

Should you be successful in obtaining the waiver, how much less would you spend on Reading is Fundamental, Arts for the Handicapped, the Kennedy Center education program, Alcohol and Drug Abuse Education, and Law-Related Education than is now being spent?

Answer: We have no plans to reduce the funding level for any of these programs. The best estimate for fiscal year 1986 is level funding.

Question: Why do you need this "flexibility" that is not provided for in the law? What new priorities would you fund?

Answer: Currently, the Secretary of Education has discretionary authority over less than 25 percent of the Secretary's Discretionary Fund. We believe the Discretionary Fund should be truly discretionary. Priorities have not yet been decided on for fiscal year 1986, but I believe that any Secretary should be able to establish priorities for his own discretionary fund.

INCREASED RELIANCE OF FEDERAL STUDENT AID

Question: Your budget documents maintain that instead of supplementing parent, student, State and private efforts, the present combination of Federal programs tends to displace and discourage these traditional sources of support. Yet the purchasing power of Pells, for example, has eroded in the past several years. For example, Pells in 1979 covered approximately 46 percent of college costs, yet in 1985 they cover only 32.5 percent.

On what do you base your contention that Federal financial assistance is discouraging non-Federal sources of support?

Answer: Over the past decade (from academic year 1975-76 to 1984-85), the proportion of student financial aid provided by the Higher Education Act programs administered by the Department of Education has increased from 30 percent of total aid awarded to students from all sources to 71 percent of all aid. In 1975-76 Federal student aid totalled $3.2 billion and met 14 percent of aggregate student costs. In 1984-85, Federal student aid is estimated to be $12.6 billion meeting 31 percent of total student costs. Aggregate undergraduate educational costs have increased by 80 percent since 1975-76, with total aid awarded to students increasing by 69 percent and non-Federal aid decreasing by almost 30 percent. Federal aid awarded to students has increased by almost 294 percent, demonstrating an excessive reliance on Federal sources of aid for students. Had non-Federal sources of support increased at the same rate as Federal aid increased, aggregate aid awarded to students could totally meet aggregate student educational costs.

For the record, to determine the relationship between a Pell Grant award and college costs requires aggregating each individual student's circumstances. A Pell award is determined by student need and 50 percent of allowable costs, up to the maximum award. The Department does not have data available to do this type of analysis. However, using our estimates of aggregate undergraduate costs in 1979 and 1984, total Pell Grants covered over 8 percent of 1979 costs and 7 percent of 1984 costs.

PELL GRANT ELIGIBILITY INCOME CAP

Question: The current family contribution schedule for Pell Grants takes into account such factors as family size in determining awards for a student whose adjusted gross income exceeds $25,000.

What is your rationale for excluding such considerations and maintaining an absolute income limit of $25,000 for eligibility?

Answer: Our budget proposals target available financial resources toward students from low-income families. Current Bureau of Labor Statistics data indicate that the median family income level in this country is approximately $25,000. Consequently, our proposals limited eligibility for the totally/highly subsidized grant, loan, and work programs to students from families with incomes below $25,000. We recognize that some students above the cap may have greater need than some below the cap. However, we feel that some absolute and objective limitations must be placed on Federal aid in order to conserve and focus such aid on those students with the greatest need. Moreover, we believe there is sufficient flexibility in the overall student aid system, including many sources of non-Federal aid, to address the needs of families with higher incomes and exceptional expenses.

Question: Why is this a "fairer" way of distributing Pell Grants than under the current need-based system?

Answer: A need-based analysis will be applied to those students with family incomes of $25,000 or less in order to distribute Pell Grant funds. Students from families with incomes exceeding $25,000 will be determined ineligible for Pell Grants automatically. The current system of need analysis allows for some families, which by most definitions would be considered well-off, to receive highly-subsidized Federal student assistance. We do not think it "fair" that the tax dollars of lower income families should support the educational expenses of students from families with high incomes who already have the resources to finance postsecondary education costs.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

HIGHER INCOME FAMILIES ($100,000 AND ABOVE) RECEIVING STUDENT AID

Question: It is my understanding that there were some problems regarding the misinterpretation of data on the number of higher income students receiving financial aid. According to your estimates, 13,000 students--based on a survey--from families with incomes exceeding $100,000 were receiving Federal loans. However, when compiling the data, is it correct that the Department failed to account for the fact that the student population, which was sampled, was over-represented by higher income students and that many of them were older students and, therefore, not financially dependent on their families?

Answer: We estimated the number of students with parental incomes exceeding $100,000 receiving federally subsidized student aid based on data from the Cooperative Institutional Research Program (CIRP) sponsored by the Graduate School of Education at the University of California, Los Angeles, and the American Council on Education. The CIRP data is a sample of first-time, full-time freshmen across the Nation; therefore it was necessary to extrapolate from this sample to the total population of aid recipients. It is more likely that the CIRP sample would represent younger, dependent students whose average family incomes were higher than the general population, since lower income and older students might be more likely to attend part-time and to attend proprietary schools, institutions not represented in the survey.

Question: What assurances can you provide this committee that the numbers you are currently relying upon are sound?

Answer: While we believe the numbers are sound, the issue is not the number of students whose family income was at the $75,000, $100,000 or over level receiving aid, but that any student with family resources at that level would receive federally subsidized aid--that is, aid paid from taxes by families with much lower incomes.

IMPOUNDMENT OF NATIONAL DIFFUSION NETWORK FUNDS

Question: The National Diffusion Network program has been extremely effective in North Dakota. As a result of funds being impounded, however, States have been forced to use fiscal year 1985 funds to cover fiscal year 1984 costs. From what I understand, funding in North Dakota is expected to run out in August. What is the current situation at this time and what is your position, Mr. Secretary, with respect to ensuring that funding for the program continues?

Answer: The State facilitator grant for the State of North Dakota will expire in August. As you know, the Department is involved in ongoing litigation with Chicago in the case of the United States vs. Board of Education of the City of Chicago. In that case, the Department has filed a motion to release all frozen funds and has argued for an expeditious ruling. In this motion, filed on April 5, 1985, the Government has argued that Chicago has no legitimate claim to the restrained funds, and, further, that irreparable injury was occurring to projects because of the continued impoundment. You may be sure that this Department is vigorously pursuing resolution of this litigation in cooperation with the Department of Justice.

QUESTIONS SUBMITTED BY SENATOR JAMES A. McCLURE

NCER DISSEMINATION OF ARTICLES BY DR. ROCHE

Question: For some time now, my office has been receiving packets of information from the National Council on Educational Research (NCER). By and large, this information has been articles by the chairman of NCER, Dr. George Roche. I am submitting an example of this information for the record. This particular packet addresses Dr. Roche's concern over how teachers deal with the question of nuclear war using materials allegedly prepared by the National Education Association.

On another occasion, I received an article from NCER stating Dr. Roche's contention that political conservatives are as interested in education as liberals.

I have no objection to Dr. Roche's philosophy. As a conservative myself, I agree with him that conservatives care about education. But, as a conservative, I want to make sure the dollars we spend on education are spent wisely.

Are these articles being printed and mailed at taxpayer expense?

Answer: Yes, the articles by Dr. Roche were printed and mailed at taxpayer expense.

Question: The articles are generally accompanied by a cover sheet which states that "this material does not necessarily represent the views of all members of the NCER or of the Reagan Administration." If, indeed, these articles are not representative of the NCER or of the Reagan Administration, what is the Department's justification for sending them out?

Answer: The disclaimer, "this material does not necessarily represent the views of all members of the NCER or of the Reagan administration," which appears on the cover sheet, is a standard one for articles released for publication. The NCER chairman, Dr. George C. Roche III, has approved of the articles, but not all 15 members have been polled each time an article was written; therefore, the disclaimer was added. In fact, however, the mailings were later shared with the entire Council and have received approval from all Council members.

Question: Will the Department supply the Subcommittee with all the articles NCER has sent out that Dr. Roche has written, along with a justification for each as to how they constitute educational "research?"

Answer: Copies of 14 articles by Dr. Roche are being sent to the Subcommittee. The titles are: "Bilingual Education: The Hispanic Connection"; "No Competition for Bilingual Education"; "Bilingual Education: Training for Second-Class Citizenship"; "Political Expediency and Bilingual Education Research"; "Bilingual Education: The Federal Government in the Classroom"; "Bilingual Education is Not Foreign Language Education"; "Parents and Education"; "Home Truths in Education"; "A Civil Wrongs Proposal"; "Classrooms and the Freeze Movement"; "Conservatives Do Care About Education"; "The Solution to America's Illiteracy Problem"; "What's Wrong With Education Today"; and, "The Burden of Brown."

The articles are not, in themselves, "research." However, the NCER believes the views expressed may help guide future research efforts concerning bilingual education, compensatory education, home-school partnerships, and other educational matters.

Question: In addition, will the Department supply the Subcommittee with information about who these articles are sent to and what the expense is?

Answer: A list of the names and addresses of those receiving copies of the articles is being forwarded to the Subcommittee. Approximately 450 copies were made of each article, and they were mailed in government-franked envelopes. The total cost to the Government was therefore several hundred dollars, at most.

FISAP INCOME GRID AUDITS -- REGION X

Question: Recently, institutions of higher education in Region X have been subjected to an audit of FISAP grids. No other region has undergone this audit and schools in Region X are facing, in some cases, enormous liabilities.

It is apparent that there are substantial concerns over the manner in which the audit was conducted. The Department's instructions were imprecise and even though annual audits of FISAP grids have been conducted, and no exceptions cited, institutions are still being assessed liabilities.

I would like detailed answers to the following questions.

Why was Region X the only Region subjected to this audit?

Answer: Region X was not the only region subject to an audit of the income grid data submitted on the Fiscal Operations Report and Application to Participate (FISAP) and used to calculate institutional need for campus-based funds. All institutions participating in the campus-based programs are required to have non-Federal audits performed at least once every two years and a review of documentation supporting enrolled students' income data is one of the routine audit steps which must be completed.

In addition to non-Federal audits, IG audits and program reviews performed by Departmental representatives in all ten regions also include a review of the income data on institutional reports such as FISAP.

In May 1980, our program review staff in Region X visited a State university to make a specific review of the data used by that institution in the preparation of its FISAPs because the school was receiving large increases in program funds based on income data. This initiated a special review of the income grid data by the Region X Office of the Inspector General (IG) for Audit in mid-1981. The Region X program review staff also did limited site visits at 17 institutions to verify the existence and accuracy of the data reported on the FISAP income grids.

The IG initiative is completed and there are no plans to perform additional audits of this particular area.

FISAP AUDITS -- OTHER REGIONS

Question: Does the Department have plans to conduct similar audits in all regions and if not, why not?

Answer: The Department's Office of Inspector General conducted similar audits in several regions. For example, the draft audit program developed for the review in Region X was also used nationwide reviewing income data on FISAPs submitted by 14 institutions. These 14 institutions were located in six of the 10 regions. The IG reports on these reviews were issued during 1981, 1982 and 1983.

Of course, program reviews and audits by Departmental representatives and the required non-Federal audits of the programs will continue to monitor data used by institutions to complete the FISAP income grids in all regions.

FISAP APPLICATION INSTRUCTIONS -- 1979-1980

Question: The Department of Education's original instructions for the 1979-80 year were unclear and imprecise. Why are institutions now being held accountable for 100 percent accuracy, when the Department itself could not clearly define at the time the data elements required?

Answer: The Department believes that the instructions for the 1979-80 application were clear about the conditions under which institutions could enter eligible aid applicants in the appropriate income cells. It is true that the providing of such information was optional in the first year of the fair share funding system for 1979-80. However, institutions were warned in the application instructions that if they did provide the data to qualify for additional funds, data must be actual 1977-78 which could be audited and verified.

DISPOSITION OF RECOVERED FUNDS

Question: All funds received were awarded to eligible students. What will happen to the funds that were returned?

Answer: The fact that fair share funds received by the institution were awarded to eligible students is not at issue. The problem we must address is whether an institution improperly received these additional funds. The funds which are returned by the institution revert to the U.S. Treasury.

Question: Will they be reallocated, and, if so, to whom?

Answer: The returned funds will not be reallocated to any other institutions. The Department of Education is not authorized to use such funds for reallocation to other institutions, but must return them to the Treasury.

Question: What criteria will be used?

Answer: Since no reallocation will be made, no criteria have been established.

FISAP LIABILITY ASSESSMENT AMONG STATES

Question: Why are liabilities being assessed at institutions in States like Idaho, which is significantly underfunded when compared to States of similar demographic and socio-economic make-up, specifically Maine, Vermont and New Hampshire?

Answer: The Department of Education is aware that comparisons are made between the State of Idaho and States similar in size and type such as Vermont and Maine with regard to their student financial aid funding histories. However, this is not a factor when determining institutional liability for funds received under unsubstantiated data reports.

Question: Won't the net result be to widen the gap between the States that got "fat" under the old grantsmanship procedures at the expense of States like Idaho?

Answer: The differences in funding between Idaho and other States, such as Maine, Vermont and New Hampshire, is a complicated subject which was addressed in a Report to Congress last year and which bears no relationship to the audit issue. The liabilities assessed institutions in Region X were related to non-conformance with regulations designed to make institutional funding more equitable among institutions.

Question: In terms of public policy, who is being served by this exercise? Annual audits of FISAP grids have been conducted routinely since 1981 and no exceptions have been cited.

Answer: The issue is administering public programs even-handedly under business-like policies. The Department of Education has the responsibility for ensuring that institutions across the Nation are funded in accordance with the FISAP process. Exceptions have continued to be found and cited since 1981.

FISAP AUDIT EFFECT ON FAIR SHARE CALCULATION

Question: What procedures were used to calculate liabilities? It appears that in order to come up with the appropriate recalculations, the Department would need to adjust the grid data for all institutions in the country that are found to be inaccurate, since any material changes in a grid ultimately affect the State and national fair share figures for all institutions.

Answer: When institutions with program review or audit liabilities are found, a recalculation is not made for all other institutions in determining the liability of the institution under review. The recalculation is to determine the amount the institution should have received in that earlier year based on the relative needs that existed at that time. The proper liability determination is the difference between the amount the institution should have received at that time and the amount it actually received.

Upon request, the Department of Education provides institutions with information regarding the procedures used to calculate liabilities and arrive at revised funding levels.

Question: If, in recalculating Idaho's "fair share" the only data altered was data from Idaho institutions, is it possible that our "fair share" amount is miscalculated as long as the errors from other schools were not accounted for in the same calculation?

Answer: Any fair share funds received by institutions in Idaho as a result of the State fair share formula would not be affected by recalculated need amounts for institutions in other States. However, any funds received by institutions in Idaho from the national fair share formula in an earlier year could have been affected either positively or negatively by a reduced SEOG or self-help need amount for an institution in another State.

Question: Could our fair share increase as a result of liabilities assessed elsewhere reducing those school's proportionate shares? Idaho is unable to judge if the Department's assessment is fair without access to data explaining how the calculations were made.

Answer: Since liabilities are assessed and paid beyond the time the awards were made, little relationship exists between the initial distribution and pattern and later liability. The regulations under which the Department operates are published and receive public review. The data used as the basis of our calculations are available.

STUDENT AID -- FISCAL LIABILITY COLLECTION REQUIREMENTS

Question: Some schools have returned funds to the Department in order not to be subjected to additional sanctions (interest on the balance). Other institutions are pursuing an appeal. Will the returned funds be given back to the institutions that paid them, if, as a result of congressional action or on the Department's initiative, schools in similar circumstances are relieved of their assessed liabilities?

Answer: The effect of any congressional action would depend on the legislation enacted. An institution which disburses Federal student assistance contrary to the Higher Education Act and program regulations incurs a liability for the funds disbursed. Therefore, the Department of Education establishes a claim for such liability (debt). The Federal Claims Collection Act of 1966, 31 United States Code, Section 915, et. seq. authorizes the Department to collect this debt. The Division of Certification and Program Review, under which the Audit Review Branch and Program Review Branch fall, does not have the authority to waive any liability. In addition, Section 3711 of Title 31 United States Code does not allow the Secretary to compromise any claim over $20,000, exclusive of interest. Therefore, the Secretary cannot legally relieve an institution of any such liability over $20,000.

FISAP APPLICATION PROCESS -- 1977-1980

Question: Given the fact that all institutions participating in campus-based Title IV programs must complete the Fiscal Operations Report and Application to Participate (FISAP) in the National Direct Student Loan, Supplemental Educational Opportunity Grant and the College Work-Study Program, please provide the following information:

For the Applications filed in 1977, 1978, 1979, 1980:
(1) Copies of the information provided participating institutions as to the length of time, following each year's Application filing, that the institution is obligated to retain all the original source data used in completing the application.

Answer: The minimum period for retaining information for audits is five years. This is included in several communications. Because of the numbers of pages involved, the requested copies are being provided directly to the Subcommittee. This information provided includes the FISAP for each year requested (1977, 1978, 1979 and 1980) and the appropriate regulations.

In addition, there were two instances in each of the years cited in which institutions were notified that the data entered on the FISAP would be subject to program audits. The first was in the combined Application for Funds and Fiscal Operations Report documents which were submitted in 1978, 1979 and 1980. In the year 1977, these two documents were filed separately. The Fiscal Operations Report contained a clear statement regarding audit. The subsequent application made reference to the previously filed report document, indicating that some of its data were needed for completion of the application. The other notification was in the program regulations published in the Federal Register.

Question: (2) How and when the information was given to participating institutions.

Answer: The information detailing the data needed and the time it should be retained was mailed to institutions each year as part of the FISAP applications. It also was part of the published regulations whose dates of publication are given below.

The following is a list of those regulations.

Filing Year	Applicable Reg Section/Program	Publication Date	Effective Date
1977	175.28/CWS	September 1, 1976	November 2, 1976
1977	144.18/NDSL	November 24, 1976	December 24, 1976
1977	176.23/SEOG	November 24, 1976	December 24, 1976
1978	175.28/CWS	September 1, 1976	November 2, 1976
1978	144.18/NDSL	November 24, 1976	December 24, 1976
1978	176.23/SEOG	November 24, 1976	December 24, 1976
1979	144.19/NDSL	August 24, 1978	September 29, 1978
1979	175.19/CWS	August 24, 1978	September 29, 1978
1979	176.19/SEOG	August 24, 1978	September 29, 1978
1980	174.19/NDSL	August 13, 1979	September 15, 1979
1980	175.19/CWS	August 13, 1979	September 15, 1979
1980	176.19/SEOG	August 13, 1979	September 15, 1979

The record retention and audit requirements were the same in all of the above cited regulations which specifies a minimum five year period for retention of records.

Question: For the Applications filed in 1977, 1978, 1979, 1980, please provide: (1) Copies of the instructions for completing that section of the Application which requested numbers of eligible aid applicants classified by family income.

Answer: Because of the number of pages involved, copies of application instructions for the FISAP filed by institutions in 1977 (1978-79), 1978 (1979-80), 1979 (1980-81) and 1980 (1981-82) are being provided direct to the Subcommittee.

Question: (2) The dates the Application instructions were released to the institutions and the deadline dates for filing the Application.

Answer: The dates that the application instructions were mailed to institutions and the filing deadline are listed below:

	Date Instructions Mailed	Postmark Filing Deadline
1978-79	September, 1977	October 20, 1977
1979-80	September, 1978	October 16, 1978
1980-81	September, 1979	October 23, 1979
1981-82	October, 1980	October 31, 1980

FAIR SHARE SYSTEM -- 1978 FUNDING PROCEDURE CHANGE

Question: (3) If the Application process changed at any time during this period, how and when were the institutions notified of the change?

Answer: If instructions were amended, institutions were notified of the data collection requirements at FISAP workshops conducted by our regional staff during the last half of the summer preceding the FISAP filing deadline. Institutions also were made aware of any such changes upon their receipt and review of the actual FISAP forms and instructions. The FISAP that institutions filed in the fall of 1978 was the first one under the current conditional guarantee/Fair Share funding procedures. The various changes in funding procedures resulting from the new Fair Share System were promulgated to institutions by additional means as follows:

1. Notice of Proposed Rulemaking, November 8, 1978
2. Final regulations, August 13, 1979
3. Bureau of Student Financial Assistance Bulletin, September, 1979

Subsequent changes in the funding process were also promulgated to institutions by means of amended regulations.

FISAP AUDITS VERSUS FISAP PROGRAM REVIEWS

Question: Given the fact that institutions must undergo both audits and program reviews: what has been the difference between an audit and a program review as these pertain to the administration by a given institution of higher education of the programs covered by the FISAP?

Answer: Institutions are required by regulation to have a non-Federal Title IV program audit performed by an independent public accountant at least once every two years. While these audits examine program compliance, they are generally more involved with examining the fiscal integrity and reconciliation of funds and cash accounts. Program reviews, which are conducted by Department of Education personnel, concentrate to a greater degree on program compliance and the institution's overall administration of the Title IV programs. This includes verification of the institution's fiscal data with its reports filed with the Department.

Question: How often is an institution expected to undergo an audit of Title IV programs?

Answer: The regulations which govern the Title IV programs require an institution to have a non-Federal audit performed at least once every two years. Each audit must cover the entire period of time since the last audit.

Question: How often is an institution expected to undergo a program review of Title IV programs?

Answer: Program reviews are primarily conducted at institutions based on criteria established under the Department's Factors for Program Review Priority Determination system or at institutions which are known to have problems. There is no specific time frame in which institutions must have a program review.

Question: May the same agency or firm employed to execute an audit also conduct a program review? If not, why not?

Answer: No, an independent public accountant or other appropriate auditor must perform the required biennial audit. A program review is conducted by Department of Education personnel. This separation of responsibilities guarantees a more comprehensive review since each agency has different priorities.

FISAP SOURCE DATA RETENTION REQUIREMENT

Question: Are data retention requirements identical for audits and program reviews?

Answer: Yes, record retention requirements outlined in program regulations are applicable to both audits and program reviews.

Question: If an audit has examined constituent data for the construction of a given FISAP, and developed no exceptions, is the institution then free to dispose of the basic data, assuming it has no other use for it? If not, why not?

Answer: No, the regulations require that each institution must keep intact and accessible records for an award year for five years after it submits an accounting of that year's funds. This is required in case other situations at a later time occur which require an examination of such records.

FISAP APPLICATION -- PROGRAM REVIEW LANGUAGE

Question: A review of the FISAP forms from the years 1977-1985 indicates that for the years 1977-1982, the institution filing the Application attested to the fact that the information supplied was "subject to audit by representatives of the Commissioner (later Secretary) of Education." Beginning in 1983 the FISAP language was changed to read "subject to audit and program review...."

Why was the phrase "program review" introduced in 1983?

Answer: The newer language in no way changes the meaning or intent of the Department's actions or use of the FISAP form either in 1977 or in 1983. By 1983, the Department's initiative to use general or more widely understood language had been fully implemented. The term "program review" was added only because the Department believed that it was a universally understood term in the financial aid community.

Question: Was this change of such significance that all Application institutions were notified of the importance and meaning of the change?

Answer: No, the institutions were not notified because the revision in language did not significantly change requirements or activities.

Question: Why was the change delayed until 1983?

Answer: There was no intent to delay. This was only an effort to use more commonly understood language.

Question: Were these institutions notified that these changes would be retroactive back through 1977?

Answer: In that there was no change, there was no special notification. The FISAP language was considered to be self-explanatory.

FISAP INCOME GRID DATA -- LIMITED SITE REVIEWS

Question: For institutions located in Oregon, Washington, and Idaho, the Department of Education has seemingly conducted an intense program of reviews which has concentrated on analysis of the income data used to complete the FISAP income grid for Application use prior to 1982. In a number of instances liabilities have been assessed against institutions because the original source data was purged, following the appropriate audits of the institutions programs covered under the FISAP process.

Was a similar limited site review on eligible applicant grids carried out in the other 47 States at the same time?

Answer: Yes, the special review of income grid data initiated by the Inspector General covered 14 institutions in six of the 10 regions. In addition, review of the income grid information is included in the routine non-Federal audits and program reviews at institutions in all other States and numerous liabilities have resulted. Furthermore, Departmental regional staff, from time to time, have conducted limited or special site reviews of program areas other than the income grid.

Question: If yes, what other States?

Answer: Other States with institutions subject to the IG limited review were California, Colorado, Georgia, Massachusetts, Minnesota, and Ohio.

LIABILITY ASSESSMENT AMONG STATES

Question: By State, please provide information as to those institutions assessed liabilities on the basis of missing original family income data.

Answer: The following list outlines the number of institutions, by State, which to date have been assessed liabilities through program reviews and audits for missing original family income data as well as for other inaccurate information reported on the applicant grid:

State	Program Review	Federal and Non-Federal Audits	Total
Arizona	1		1
Arkansas	1		1
California	9	1	10
Colorado	2	3	5
Idaho	5	1	6
Illinois	1		1
Indiana	1		1
Maryland	2	1	3
Massachusetts		1	1
Michigan	2	2	4
Minnesota	1	1	2
Missouri		1	1
Montana	2		2
New Jersey	1		1
Ohio		1	1
Oregon	6	1	7
Pennsylvania	3		3
S. Carolina	1		1
Texas	1	1	2
Virginia	1		1
Washington	16	3	19
Wisconsin	1		1
TOTAL	57	17	74

Hundreds of other program reviews and audits in all States have pointed out problems with information contained in the income grid, but liabilities did not result after our review of resubmitted data.

Question: For all institutions reviewed, was their selection for a limited site review directed either wholly or in part by the distribution of so called "fair share" funds?

Answer: Institutions included in a limited site review were those which received fair share funds.

RESUBMISSION OF DESTROYED FISAP INCOME DATA

Question: If the original family income information was destroyed by fire, flood, earthquake or other disaster: what is the Department of Education's position concerning its replacement?

Answer: The Department of Education requires, as far as possible, the replacement of family income information if the original information is destroyed by a national disaster.

Question: Is its replacement required and under what circumstances?

Answer: In general, in cases of natural disaster, institutions must reconstruct missing records.

Question: If the original family income data, especially that included for eligible students who never received awards because of a lack of funds in the institution, is absolutely nonreplaceable, what sort of collateral supporting evidence would the Department accept as indicative of having properly completed the Application?

Answer: In cases such as you outline, the Department would resolve the situation on a case-by-case basis.

FISAP APPLICATION INSTRUCTIONS -- INCOME INCLUSION

Question: Given the fact the FISAP instructions indicated the institutions should include taxable and nontaxable income when determining a student's placement on the income grid, what instructions were given by the Department of Education as to what types of income constituted taxable and nontaxable income?

Answer: An institution was instructed to use taxable and nontaxable income for the family (dependent students) and for the student (independent students) as prescribed by the need analysis system used at that institution. The instructions for the need application specify the types meant to be included.

Question: How and when was the information disseminated?

Answer: Institutions were notified through the FISAP instructions of the income to be included.

INSTITUTIONAL LIABILITY -- FAIR SHARE ALLOCATION

Question: It is clear that in administering these programs, the institution is acting as agent for the Federal Government in conferring grants, providing employment and negotiating loans for eligible students. In the absence of any showing that these awards were made in error or that fraud or other abusive Federal funds were present, it is unclear how the Department of Education can insist that a liability exists.

Given the fact that Federal audits have shown in all instances the funds received by the institutions went to eligible student aid applicants, what students other than those who received the funds should have received the funds?

Answer: Whether or not funds were awarded to eligible students is not an issue. We are not questioning whether the funds received by the institution were awarded to eligible students, but that institutions, based on incorrect reporting on the FISAP, received a disproportionate share of Federal funding. The Department of Education has the responsibility to assure that institutions receive their proportionate share of Federal funds based on the funding formula.

Question: If the student aid funds should not have been awarded by the institutions being assessed the liability, to what other institutions should these funds have gone?

Answer: Funds allocated to an institution consist of a combination of a basic allocation or conditional guarantee, a fair share increase from the State's allotment, and/or an increase from the national fair share pool. Funds that an institution improperly received from one or more of these sources should have been allocated either to other institutions within the same State (conditional guarantee or State fair share increase) or to other institutions nationwide (national fair share increase).

Question: Please explain the logic which strives the Department to establish a claim against an institution which has awarded funds properly to eligible students, especially when it is the students not the institution, who receives the funds according to the criteria specified by the Department of Education?

Answer: The governing statutes provide specific, mathematically precise formulas for distributing an appropriation. Funds must first be alloted among the various States after which the Secretary is directed to allocate those State allotted amounts among the various participating institutions within each State according to published regulations. The Secretary has no authority to permit the expenditure of Federal funds that an institution was not entitled to receive according to the statute and implementing regulations. The Secretary has the responsibility to protect the public interest in these funds and ensure strict adherence to the governing statutes and regulations.

FISAP AUDITS VERSUS FISAP PROGRAM REVIEWS

Question: Given the fact that all institutions have undergone successful Federal audits according to the criteria specified by the Department of Education, under what circumstances does a "limited site review" establish liability to repay funds when a prior audit did not identify such a liability?

Answer: Not all institutions have undergone successful audits since the majority of audits submitted contain findings and recommendations. Audits are in-depth reviews of financial accounting and concentrate to a lesser degree on compliance areas. Program reviews monitor all aspects of program administration and compliance and are conducted by Departmental personnel who possess a thorough knowledge of these areas. Therefore, program reviews frequently reveal findings of non-compliance which were not cited in an audit.

DISPOSITION OF RECOVERED FUNDS

Question: If funds are recovered by the Department of Education, what will be the disposition of these funds and what will be the rationale for this disposition?

Answer: Funds recovered by the Department resulting from an audit or program review liability revert to the U.S. Treasury.

FISAP FAIR SHARE RECALCULATION

Question: If the review at a given institution should result in increased eligibility for fair share funds, what would be the Department of Education's position on providing those funds to that institution?

Answer: If the review at a given institution should result in increased eligibility for fair share funds for a past year, the Department could not increase allocations for that institution since the time has passed when the funds could be awarded.

FISAP AUDITS VERSUS FISAP PROGRAM REVIEWS

Question: If a routine program audit, upon completion, does not generate an exception to any expenditure, but the potential for such exceptions remain under a "program review," how may the institution, it's governing board and indeed the Department of Education rely on the audit as indicative of appropriate program management and expenditure of Federal funds?

Answer: Since audits concentrate to a greater extent on the fiscal integrity and reconciliation of fund and cash accounts, those individuals who conduct audits are usually less knowledgeable of the intent of the regulations and various policy directives. Program reviews are conducted by the Department's personnel who possess a thorough knowledge of these areas. Therefore, program reviews frequently may reveal findings of non-compliance which were not cited in the earlier audit.

Question: Why are not the audit guidelines identical to those for the "program review"?

Answer: The audit guidelines require an auditor to determine whether a system is in place to support the data used in the application process. The auditor is expected only to see if the institution has documentation to support the entries made on the application. The auditor is not required to verify the accuracy of the data used. On the other hand, due to their level of expertise in the student aid area, program review staff are expected to conduct a more in-depth review and assess the accuracy of the data used for the entries on the application.

REGION X FISAP AUDITS

Question: If the responses to the questions above indicate that the three northwest States contain institutions in which the post-audit review activity is concentrated, beyond all other groups of colleges and universities in the country, please explain in detail the Department's rationale.

Answer: As previously stated, problems with income grid data have been discovered in all parts of the country. The list of States with the number of institutions assessed liabilities is shown as a response to an earlier question. Those institutions where a liability has been assessed because of failure to have documentation available to verify the accuracy of data used to obtain Federal funds represent all parts of the country.

Question: If these liabilities are such a historical problem in Oregon, Washington and Idaho, do they not exist in similar fashion through the Nation?

Answer: Liabilities assessed in Region X are not a historical problem peculiar to that area. Hundreds of other program reviews and audits in all States have pointed out problems with information contained in the income grid, although liabilities do not always result after data is resubmitted.

FISAP FAIR SHARE RECALCULATION

Question: Given that the "fair share" formula by which the Department of Education distributed Federal financial aid funds is driven by a national data base specific to each award year, please explain the procedure by which the Department recalculated an institution's revised "fair share" amount.

Answer: The Department maintains an automated file of national fair share component data and calculation software for each separate year beginning with 1979-80 through the current year. The Office of Student Financial Assistance enters any revised eligible aid applicants data (or other revised application data) into the computer file for the appropriate year. We then receive a revised range of grant (Supplemental Grants) and self-help (Work-Study and Direct Loan) need which is used to recalculate the fair share for that year. The computer files are developed to parallel the funding procedures in law and regulations in effect for that year. This assures that the revised fair share amounts, and any resulting liabilities, are correct for each separate year.

Question: If the method used was other than recalculation based on the appropriate years, national data base and formula, how can the Department ensure that an institution's recalculated "fair share" amounts are accurate, and more importantly, that the liabilities assessed are correct?

Answer: Our method does use the appropriate years, national data, and governing statutes and regulations for the year in question. Therefore, our recalculated "fair share" amounts and assessed liabilities do reflect the year under review.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

FINANCIAL INTEGRITY ACT

Question: Mr. Secretary, I understand the Department has established a steering committee in order to facilitate compliance with the Financial Integrity Act of 1982. The Act, as you know, imposes an important responsibility on agency officials to promote economy, efficiency and productivity in administering a department's programs and operations. What role does the steering committee play in making sure the weaknesses identified in your year-end reports are corrected in a timely manner?

Answer: The Internal Control Steering Committee was appointed on July 9, 1982. The primary role of the committee is to formulate broad policies, monitor the progress of the evaluations, review results, and to formulate overall conclusions on control effectiveness. Since last November, the committee has required monthly reports on the status of corrective actions.

In light of the added requirements of OMB Circular A-76, we are in the process of reconstituting the committee as the Internal Control and Productivity Improvement Steering Committee. The committee, to be chaired by the Duputy Under Secretary for Management, will play a crucial role in the performance of evaluations and will, through its efforts, serve as the basis for the Secretary's Annual Report on Internal Controls to the President, the Congress, and the public.

INTERNAL CONTROL REVIEWS

Question: What about the improvements recommended more than a year ago by the General Accounting Office (GAO)? I'm referring to several improvements such as a requirement that all staff performing internal control reviews undergo training and the establishment of a quality assurance committee to determine the adequacy of these reviews. Although the Department concurred with GAO at the time, I understand they've never been fully implemented. What is taking so long?

Answer: The following are the major areas for improvement identified by the General Accounting Office, and the action we have taken in those areas:

1. Vulnerability assessments: (1) develop corrective action plans, (2) document corrective actions, and (3) track corrective actions resulting from vulnerability assessments.

   ED's Action

   o An assessor comment sheet has been added to the 1985 vulnerability assessment instrument to provide space for the assessor to record actual or planned corrective actions.

- o A draft Vulnerability Assessment Directive, under development, includes the requirement that principal operating components "identify, schedule and/or take, and report corrective actions..."

- o Training has been conducted for internal control contacts on the analysis of the vulnerability assessment data. A form was designed and given to each contact for their use in reporting corrective actions required as a result of the assessment.

- o Corrective actions reported will be monitored through the automated tracking system.

2. Internal control reviews (ICRs): (1) require all staff performing ICRs to attend training, (2) clarify role of the Quality Assurance Committee and include responsibility for evaluating ICRs.

ED's Action

- o Steps have been taken to train reviewers as close as possible to the starting date of the ICRs to ensure that those trained are the ones who actually conduct the reviews. Eight separate training sessions have been conducted this year. The training roster will be compared to the list of reviews for each ICR.

- o The Quality Assurance Committee is no longer in existence. The Internal Control Steering Committee appointed an Evaluation Task Force to review each principal operating component's performance in conducting the 1983 ICRs. Information obtained from the report is being used to improve the overall quality of the reviews.

3. ADP reviews: develop methodology for considering ADP general and application controls.

ED's Action

- o On November 14, 1984, an ADP/Internal Control Work Group, including members from the Office of the Inspector General, was formed. The charter of the work group is to:

  - -- modify the Internal Control program guidance documents to include additional guidance to ED managers on how to identify assessable units, and plan and conduct vulnerability assessments and internal control reviews of those assessable units (management processes) that have automated data processing components; and

  - -- clarify the roles of the offices responsible for the Department's Internal Control Program.

To date, the products of the work group include:

-- a draft directive, which strengthens ADP coverage on how to conduct internal control reviews;

-- a questionnaire for evaluating ADP application controls, to be used during the conduct of internal control reviews;

-- a questionnaire for evaluating ADP general controls, to be used during the conduct of internal control reviews;

-- a strategy for selecting assessable units with substantial ADP involvement, to be subjected to ADP internal control review evaluation (under development);

-- an outline of considerations for the general control environment regarding ADP;

-- an analysis of 1984 vulnerability assessment and internal control review data on accounting systems and ADP systems; and

-- a draft definition of general and application controls.

The Office of Management and Budget staff has indicated satisfaction with the review initiatives the Department has and will be taking in regard to ADP controls.

Question: Why isn't the Department's follow up system used more effectively in the preparation of these year-end reports? Failure to do so last year, for example, resulted in the exclusion of several problems identified earlier from a variety of sources including the Inspector General and the General Accounting Office.

Answer: At present, the Department's tracking system addresses those deficiencies reported in individual internal control reviews, vulnerability assessments, and letters of assurance from the principal operating components. However, the data base management system developed and implemented in 1984 was designed to include the tracking of audit findings from sources such as IG and GAO audits. The system was also designed to cross reference those findings to specific assessable units, allowing the Department to identify missing assessable units as well as ensuring the completeness of the Agency's responsibility to ensure corrective actions are taken when deficiencies are identified, regardless of source.

INTERNAL CONTROL REVIEW FOLLOW UP

Question: I hate to think somebody's "cooking the books," Mr. Secretary, so far as complying with the Financial Integrity Act. Apparently, a review conducted by the Inspector General's office found a number of instances where certain deficiencies reported in your follow up system as being fully corrected were -- in fact -- still undergoing modification elsewhere within the Department. How can you be sure that the system is reliable?

Answer: Beginning in January 1985, the Department instituted a process by which a corrective action is verified and certified as complete and accurate before it is accepted and recorded. In addition to this, partial completion of corrective actions is being tracked in order to provide more accurate data concerning the status of the Department's corrective action plan as well as to be better able to detect potential problems early in the process.

In addition, the Office of the Inspector General independently conducts tests of the process and provides programmatic oversight.

PRODUCTIVITY TARGETS

Question: What are the Department's productivity targets for the current year and fiscal year 1986?

Answer: The Department does not currently have formal productivity targets. However, if productivity is measured in terms of resources compared to accomplishments, Departmental productivity has improved. The number of full-time equivalent staff has been steadily declining, while dollars administered have risen. Thus, we are handling more workload with fewer staff.

In addition, we have eliminated many backlogs, including audits, financial payments, correspondence, student aid payments, and *Adams* court order related complaints. We continue to work on grant and contract close out backlogs; a task force has helped clean up the Education Appeal Board backlog; and a study is being conducted on ways to improve the EEO complaint backlog.

RECOMMENDATIONS OF PRIVATE SECTOR SURVEY

Question: The President's Private Sector Survey on Cost Control came up with 60 specific recommendations designed to save roughly $2.3 billion for the Department over a three-year period. Apparently, the Department's response to this report was still undergoing final review and clearance last year prior to any discussion with OMB and the White House. How much of the current proposals reflect the savings identified in this report? Can you pick out any big ticket items?

Answer: In FY 1986, we anticipate savings of approximately $240 million as a result of initiatives that arose out of the President's Private Sector Survey on Cost Control (PPSSCC). Most of the savings will result from collection of defaulted student loans, which is not reflected in our Salaries and Expenses budget. The PPSSCC recommended consolidation of regional debt collection, and the budget request does reflect a decrease of 75 FTE and $1.4 million associated with regional collection activities.

The budget request also reflects a savings through consolidation of regional offices, reduction of excess overhead, and headquarters reorganization that are consistent with the Grace Commission's recommendation on adjusting organization structure.

Question: An article in the March issue of MONITOR, published by the American Psychological Association, referred to psychological research within the Department. I was not aware of any activity such as this. Tell us more about it.

Answer: Virtually no research, psychological or otherwise, is carried out directly by staff of the Department of Education. In this respect our research operations are similar to those of the National Science Foundation, and distinct from the National Bureau of Standards, the National Institutes of Health, and other Federal agencies, some of whose employees are directly engaged in research.

However, it would be surprising indeed if the extramural research supported by the Department did not involve some psychological research. In fact, research projects which we support involve many branches of psychology, including cognitive psychology, tests and measurement, human perception, adolescent psychology, the psychology of learning disabilities, and other fields as well. Such major investments as the National Assessment of Educational Progress program, or the Department's support for children's educational television over nearly two decades, depend heavily upon knowledge gained from psychological research.

Question: Do you plan to continue this research?

Answer: Yes, some of the Department's sponsored research projects will involve cognitive psychology, tests and measurement, and other aspects of psychology.

SCHOOL CRIME AND DISCIPLINE

Question: I understand the Department has been working over the past year with the National Institute of Justice on a joint demonstration project to help school districts prevent crime and improve discipline. Is this in the pipeline now for schools to implement? If not, what is your timetable?

Answer: The School Crime and Student Misbehavior Project, jointly sponsored by the U.S. Departments of Justice (DOJ) and Education, was designed recognizing the importance of and utilizing education and law enforcement agency partnerships in addressing school crime and discipline problems. Now in its second year, the project is funded with $400,000 from the DOJ, and $200,000 of fiscal year 1983 Department of Education Secretary's Discretionary Funds. Two awards were made: $400,000 to the National Alliance for Safe Schools (Austin, Texas) to provide extended training and on-site support; and $200,000 to the URSA Institute for project evaluation. The project involves 3 school districts (a total of 47 schools) in Anaheim, California (Anaheim Union); Jacksonville, Florida (Duvall County); and Rockford, Illinois (Rockford).

The first year focused on the development of an "incident profiling system," a structured procedure for collecting and analyzing school crime and discipline data. The system is designed to provide school administrators with a means to becoming more knowledgeable about the nature and extent of these problems on their campuses. Once implemented, school administrators are then provided assistance in developing effective intervention techniques.

The second year's emphasis shifted to building partnerships among law enforcement representatives, community youth service providers, school officials and teachers, parents, and students, with the goal and understanding that successful reporting and prevention techniques require a community-wide approach. The establishment of a coordinated local policy emphasizing safe schools is an anticipated outcome of this effort.

Dissemination of the information is planned through several strategies, and will begin this fall (1985). Each of the three project sites will sponsor a statewide conference to promote replication of the model. Results of the demonstration project will be shared with local groups and technical assistance will be provided to interested school districts. In addition, a video about the project and the draft of an information sourcebook for school administrators are currently being shared with education and parent groups, school districts, and law enforcement agencies.

The primary intended audience for the sourcebook is school board members who develop local policies and district and school administrators who carry out those policies, but, due to the system-wide intervention strategy of the projects, also addresses law enforcement officials and juvenile justice systems representatives. The sourcebook discusses the etiology and characteristics of school crime and misbehavior, delineating responsibilities of officials at each level of school organization. Drawing on project experience, suggestions are offered for establishing system-wide and day-to-day safe school environment plans. The sourcebook also provides a list of information and technical assistance resources, a discussion of relevant caselaw, and a sample interagency agreement between school, local law enforcement, juvenile offender and rehabilitative program agencies. Dissemination of the final sourcebook also is expected to begin in September.

An evaluation of the project, documenting, assessing, and measuring the project results at each site is due in September 1985 as well.

The DOJ has expressed interest in expanding the demonstration project to other school districts and has provided a grant to a Milwaukee school district to replicate the project. Further dissemination is also occurring through an independently organized statewide conference in Louisiana on the topic of school crime and discipline, which will incorporate project data and aspects on implementing the demonstration.

PERCENTAGES OF BLACKS AND WOMEN EMPLOYED BY DEPARTMENT

Question: For the record, please provide the percentages of blacks and women holding jobs at the GS-12 and above level for each of the last two years for which statistics are available. Also provide data for each of these years showing what percentage of the Department's workforce was made up of blacks and women.

Answer: In fiscal year 1983, blacks represented 36 percent of the Department's total work force and 21 percent of those employed at the GS-12 and above level. At the end of fiscal year 1984, blacks represented 37 percent of the Department's total workforce and 23 percent of those employed at the GS-12 and above level.

In fiscal year 1983, women represented 56 percent of the Department's total workforce and 36 percent of those employed at the GS-12 and above level. At the end of fiscal year 1984, women accounted for 57 percent of the Department's total workforce and 37 percent of those employed at the GS-12 and above level.

Questions Submitted by Senator Robert C. Byrd

CHILDREN ELIGIBLE FOR CHAPTER 1 UNDER THE 1986 REQUEST

Question: Mr. Secretary, could you give me an estimate on the number of students nationwide eligible for assistance under Chapter 1 and the number of those students that will be served under the fiscal year 1986 budget request.

Answer: There are no exact figures available on the number of students eligible for Chapter 1 services. The program is designed to serve children who are educationally disadvantaged and who reside in low-income areas. School districts ultimately determine who is educationally disadvantaged. The selection process is based on an assessment of needs by the district which varies from district to district.

We know that for the 1985-86 school year almost 8 million children from low-income families were counted for allocation purposes. Not all of these children are educationally disadvantaged. If we assume that 75 percent of these children are educationally disadvantaged, then the number of eligible children would be around 6 million.

There is also a significant number of children who are not poor but would be considered educationally disadvantaged. We estimate that probably 8.8 million or 20 percent of the students enrolled in elementary and secondary schools nationally are educationally disadvantaged. Many, but not all, of these children are from low-income families. If we assume that 75 percent of these children live in low-income areas that receive Chapter 1 assistance, then the number of eligible children would be around 6.6 million.

We estimate that our 1986 request for Chapter 1 would serve slightly over 4.7 million students, between 70 and 78 percent of the eligible population depending on the assumptions used.

ADULT BASIC SKILLS REMEDIAL PROGRAMS

Question: Mr. Secretary, you are, no doubt, aware that the number of functionally illiterate individuals is growing. Are you aware that the Army, Air Force, Navy, and Marines all have basic skills education programs to bring recruits up to the 9th grade reading level?

Answer: The Department of Defense indicates that funds for basic skills programs for all the Armed Services will total $23.8 million in fiscal year 1985 and $24.5 million for fiscal year 1986.

The Department of Education maintains regular liaison with the Department of Defense on its basic skills programs.

Question: Have you done any studies to determine what is spent nationwide by employers on remedial programs?

Answer: The Department of Education has not conducted any studies on expenditures by employers on remedial education programs. However, some reports can be cited to indicate that employer-provided education and training is a big industry in the U.S. today and getting bigger.

In 1983, the American Society for Training and Development (ASTD) estimated that $20 to $30 billion a year is spent by employers on training activities--management skills, technical, orientation, sales, and basic education. Data on basic skills training--which companies are doing it, what is being done, how much it costs--are still very limited. The ASTD study estimates that under 1 percent of the training went for high school equivalency and adult basic education courses.

A 1984 American Association for Adult and Continuing Education study, Private Sector Providers of Basic Skills Training, found that 3 percent of the total training dollar is spent on basic education.

A 1982 Center for Public Resources study of more than 2,000 U.S. corporations with 500 or more employees found that:

- 75 percent of these companies conduct some kind of "basic skills competency program" for current employees in-house and 43 percent of those who do this provide remedial training "with an overwhelming emphasis on mathematics and speaking/listening skills."
- 50 percent of middle-sized and 35 percent of large companies run basic skills programs.

The report concludes that the cost to employers of basic skills deficiencies is high, but "the overwhelming majority of companies have not estimated" either direct or indirect costs.

The Council of State Directors of Adult Education is soliciting from each of the States information about connections between basic education programs and business, industry, and unions. It is too early to project what will be available from this study.

GSL FAMILY INCOME ELIGIBILITY CAP

Question: Mr. Secretary, other budget proposals which seem ill advised to me are those affecting higher education. One of those proposals deals with the cap and the other is the limitation of family income to qualify for the Guaranteed Student Loan program.

The West Virginia Board of Regents recently did a survey of student expense budgets at West Virginia's universities and colleges. The survey found that only the two-year institutions have annual budgets for resident students which involve an amount of less than $4,000, and that tuitions go as high as $10,200 for in-State students.

Just let me say that while in some cases it might be possible for students to live at home and commute, this is not a widespread phenomenon; especially in rural States.

The other proposal, relating to a cap on family income in order to qualify for the Guaranteed Student Loan program also causes me some concern. How did you arrive at this figure?

Answer: Our budget proposals target available financial resources toward students from low-income families. Current Bureau of Labor Statistics data indicate that the median family income level in this country is approximately $25,000. Consequently, our proposals limited eligibility for the totally/highly subsidized grant, loan and work programs to students from families with incomes below $25,000. The $32,500 cap for relatively less subsidized Guaranteed Student Loan eligibility corresponds approximately to 130 percent of the national median family income.

We recognize that some students above the caps may have greater need than some below the caps. However, we feel that some absolute and objective limitations must be placed on Federal aid in order to conserve and focus such aid on those students with the greatest need. Moreover, we believe there is sufficient flexibility in the overall student aid system, including many sources of non-Federal aid, to address the needs of families with higher incomes and exceptional expenses.

Question: Did you do an analysis of the impact on students currently receiving student financial assistance, and if so, would you submit a copy of that analysis for the record? The West Virginia Board of Regents advises that this proposed cap on the Guaranteed Student Loan program will affect more than 30 percent of student borrowers in my State.

Answer: We estimate that about 426,000 students would no longer borrow under either the regular Guaranteed Student Loan (GSL) or PLUS programs in fiscal year 1987, the first full fiscal year in which the income cap provision would apply. Of course, a greater number (corresponding to an estimated 25 percent of undergraduate and 5 percent of graduate dollar volume) would no longer be eligible to borrow highly subsidized regular GSLs. However, many of these students would switch their borrowing to the less subsidized PLUS program.

VOCATIONAL EDUCATION -- IMPACT OF PROPOSED BUDGET FREEZE

Question: In excess of 60 percent of high school students in West Virginia go through a vocational education program. However, this does not tell the whole story. West Virginia continues to have the highest unemployment rate in the Nation. With the decline in our basic industries--especially steel--coal mines have closed. Approximately 45 percent of all West Virginians over 45 years of age have less than a high school education. With unemployment rates being what they are in my State, the demand for skills has increased. Have you done any studies on the number of students that will not be served in fiscal year 1986 in vocational education programs as a result of the freeze in funding, and if so, would you submit those statistics for the record.

Answer: No, we have not done any studies on this. However, based on the large State and local overmatch of Federal funds for vocational education (estimated at $10.50 to $1.00 in 1982-83), we believe the freeze will have only a minimal effect on the number of students served.

Question: Have you done any analysis on the impact of the fiscal year 1986 proposed funding level on the number of those who are unemployed and seek retraining through vocational education programs?

Answer: No, we have not done any analyses on this. However, based on the fact that Federal funding provides such a small part of total vocational education expenditures, we believe the 1986 proposed funding level will have only a minimal effect on those seeking retraining.

Question Submitted by Senator Quentin N. Burdick

CONSUMER AND HOMEMAKER EDUCATION

Question: I have received a great many letters opposing the administration's plan to put an extra $31.633 million into the Basic Grants program and eliminate funding for Consumer and Homemaker Education.

In North Dakota, consumer and homemaker education are the only vocational education programs available in some of our smaller school districts. If we were to put these funds into the Basic Grants, with the many set-asides it requires, I am concerned that these funds would not continue to be available to these districts in the same amounts as in the past.

Does the Department expect that all districts will have as much money as last year for Consumer and Homemaker Education under your plan?

If not, it seems to me we should either add more money to the Basic Grants to make up for the potential loss of funds to some districts or we should continue to fund Consumer and Homemaker Education under a separate line item. Otherwise, we will be downgrading the priority of this particular education. I would appreciate your comments on this.

Answer: Our proposal to transfer $31.6 million from Consumer and Homemaker Education to Basic Grants is designed to give the States maximum flexibility to fund local programs according to State-determined priorities. The States may put less money into consumer and homemaker education than they did last year, but they could also put more. The amount of Federal and State money school districts receive for consumer and homemaker education will be up to the States. Local districts can add to this amount if they wish.

State and local support for consumer and homemaker education has traditionally been strong. For every Federal dollar spent on consumer and homemaker education in 1981-82, State and local schools contributed $16.60.

Question Submitted by Senator Daniel K. Inouye

HAWAII LOA COLLEGE

Question: Last session of Congress our committee expressed its concern regarding the status of negotiations being held between your Department and the Hawaii Loa College in Kaneohe, Hawaii. The issue was whether they would be allowed to pay off their loans in a reasonable fashion, or whether your Department would insist on foreclosing on their land. It is my understanding that considerable progress was being made in the negotiations; however, I would appreciate receiving an updated report from you.

Answer: Hawaii Loa College is currently in default on both academic facilities and college housing loans. We have negotiated extensively with the President of the College to get the loans back into repayment. Through these negotiations, the institution has agreed to begin making some repayments, and we have agreed to take no adverse action against the institution for the time being. Hawaii Loa has also agreed to reexamine the situation with us in September of this year.

Questions Submitted by Senator Tom Harkin

CHOICE IN HIGHER EDUCATION - BUDGET PROPOSALS AND ENROLLMENT

Question: Where are all of the people affected by your budget cuts going to go for postsecondary education?

Answer: The opportunity for attending an institution of postsecondary education is still assured under the fiscal year 1986 budget proposals. The fiscal year 1986 budget proposals are designed to continue assisting needy students pay the costs of higher education. Under our budget proposals students would be eligible to receive up to $4,000 in highly subsidized Department of Education assistance of grants, loans and work opportunities. Students would also be eligible to borrow up to $4,000 under the PLUS program bringing the total amount of federally supported aid to $8,000 per year. This amount should be sufficient to meet the costs of education at most public and private institutions.

Question: If they can't go to college are they all going to find jobs? Where?

Answer: As stated above, our fiscal year 1986 budget proposals maintain access to higher education for financially needy students. We do not anticipate any disproportionate number of students seeking jobs in place of attending a postsecondary institution.

CUTS IN PROGRAMS SERVING HANDICAPPED PERSONS

Question: You are proposing cuts from 1985 levels of $15 and $17 million in Handicapped Education and Vocational Rehabilitation, respectively. Has there been a decrease in the population eligible for these programs? Has there been a decrease in the population in need of these programs? Please explain why you propose the cuts.

Answer: As part of the administration's effort to control the Federal deficit, we are proposing that some savings be achieved through these cuts in the Education for the Handicapped and the Rehabilitation Services and Handicapped Research accounts. The cuts we are proposing do not affect the major State-administered service programs funded under these accounts. Thus, we do not believe that the cuts would have any discernible effect on the numbers of persons served.

In the Education for the Handicapped account, we are proposing cuts in Deaf-Blind Centers, Special Education Personnel Development, and Special Studies.

- The Deaf-Blind Centers cut is based on a reduction in funding for services which the States are now required to provide under the Education for All Handicapped Children Act, P.L. 94-142. The Centers program predates requirements under that act for the States to serve most deaf-blind children. Services for children not required to be served by the States and technical assistance would be continued.
- The Special Education Personnel Development reduction reflects the Department's inability at this time to focus resources meaningfully on identified areas of shortage. This problem is due to our lack of knowledge with regard to the nature and causes of shortages, and uncertainty as to how the Special Education Personnel Development program might address these shortages.
- The Special Studies request reflects a level which the Department believes is ample to provide not only for the mandated evaluations, but also for appropriate discretionary evaluations of programs under the Education of the Handicapped Act. Additional funds are not necessary.

In the Rehabilitation Services and Handicapped Research account, we are proposing cuts in Projects with Industry, Recreation programs, Independent Living State Grants, Training, and Evaluation.

- Because funds were used in 1985 to extend project periods and continue all existing grants through September 30, 1986, our proposed cut in Projects with Industry would not affect the level of activity in 1986. We will fund the same number of projects in 1986 as we funded in 1985.
- We are proposing to eliminate Recreation funding, because we believe these activities are more appropriately funded at the community level by county and municipal parks and

recreation departments, private charities, and other non-Federal organizations. Given that the majority of grant recipients are different every year, we do not expect that the elimination of Federal funding would have more than a temporary negligible effect on the level of services available.

- The Independent Living State Grant program is funded at $5 million in 1985, an amount adequate to support only planning activities. We do not believe a new State grant program should be initiated in the current fiscal situation when a program already exists to deliver independent living services. Our proposal to terminate funding in 1986 would not mean a reduction in currently available services.

- Our Training program does not involve the provision of direct services to disabled persons. The cut we are proposing for 1986 would not affect the number of disabled persons receiving rehabilitation services. We do not currently have evidence of major shortages across the various rehabilitation disciplines; available supply and demand data are inadequate to permit identification of shortages in a consistent and uniform manner. Given that we have no basis for awarding new grants, we are proposing to cover continuation costs only in 1986.

- Our proposed reduction in Evaluation would have no effect on the number of persons served in rehabilitation programs. We are proposing the cut, because we need time to complete the many studies currently underway before we can use additional funds efficiently or effectively.

VALUE OF A COLLEGE EDUCATION

Question: You were cited as saying that you would consider giving your son $50,000 to start a business rather than pay college tuition. Does this reflect your low opinion of the value of a higher education (despite our supposed "renaissance" in American education)? Or does this reflect your opinion that this is actually a feasible option for the majority of parents of college-age children?

Answer: No one is more convinced than I am of the value of a college education appropriate to the person who can benefit from its rewards. As part of this philosophy I strongly support the Federal Government's role in assuring that financial factors are not a barrier to access to a postsecondary education. However, formal postsecondary training is not for everyone nor is it a necessity for achieving either material or social success. The decision to attend a postsecondary institution should be an individual decision based on many factors. In particular, with the total costs of a postsecondary education sometimes reaching $50,000 or more, it is even more important for prospective students and their parents to weigh the decision carefully. Parents may wish to invest in their children's future through alternative means. I would consider such alternatives to a formal postsecondary education for my son depending on his aptitude and interests when he reaches college age.

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DEPARTMENTAL MANAGEMENT

STATEMENT OF LINDA COMBS, DEPUTY UNDER SECRETARY FOR MANAGEMENT

ACCOMPANIED BY:

RALPH J. OLMO, COMPTROLLER, OFFICE OF MANAGEMENT
HARRY M. SINGLETON, ASSISTANT SECRETARY FOR CIVIL RIGHTS
JAMES B. THOMAS, JR., INSPECTOR GENERAL
THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTION OF ASSOCIATES

Senator INOUYE. Next we will hear testimony on the fiscal year 1986 budget request for department management, salaries and expenses.

Once again, the administration has proposed merging the Office for Civil Rights and the inspector general with the "Salaries and expenses" account. This committee has rejected this proposal several times in the past few years.

Here to testify for department management is Linda Combs, Deputy Undersecretary for Management.

Ma'am?

Senator INOUYE. Do you wish to introduce your colleagues?

Ms. COMBS. Good morning. Yes, sir, I will, while we are getting organized here.

Mr. Chairman, members of the committee, we are pleased to be here with you today to speak on behalf of the Department's administrative budget. By way of introduction, to my right is Assistant Secretary for Civil Rights, Mr. Harry Singleton; and to his right, the inspector general, Mr. James Thomas; to my left, the Comptroller, Mr. Ralph Olmo, and Mr. Thomas Skelly, the Director of the Budget Systems Division.

PREPARED STATEMENT

We have provided a statement for the record, Mr. Chairman.

Senator INOUYE. Without objection, the full statement will be made a part of the record.

[The statement follows:]

STATEMENT OF LINDA COMBS

I am pleased to appear before you to present our 1986 budget request for salaries and expenses. I also will address our 1985 rescission request.

For 1986 we are requesting $277.3 million and full time equivalent (FTE) employment of 4,530. This is a decrease of $21.5 million and 261 FTE from the 1985 revised level of $298.8 million and 4,791 FTE.

Proposed Technical Changes

We are proposing the merger of the Office for Civil Rights, the Office of the Inspector General and the Salaries and Expenses accounts into a single Salaries and Expenses account. This change will simplify the Department's account structure in a fashion consistent with its relatively small total employment requirements and improve the Department's flexibility in managing S&E resources. The integrity of the Inspector General funding would be assured by an appropriation floor we are requesting in line with a recent report of the Comptroller General.

Our display of the salaries and expenses request in the 1986 President's Budget identifies five activities: Postsecondary Education; Other Education Programs; Civil Rights; Inspector General; and Executive Direction. The display is intended to show more clearly the costs of major Departmental organizations and functions, in particular differentiating the needs of program offices from those of staff and supporting offices. In displaying these activities for your information, however, we do not intend that they be the basis for funding limitations within the overall amount appropriated in this account other than for the Inspector General.

The 1985 base includes $300 thousand for loan management and audit inspection activities for the College Housing Loans Program, $100 thousand for loan management of the Higher Education Facilities Loans Program and $1.5 million for the Guaranteed Student Loan Program, previously financed under the program accounts. These administrative expenses are more properly financed in an S&E account than in program accounts. This set of comparative transfers essentially completes the account "clean-up" - disentangling administrative and program costs - begun with the 1984 Budget and supported thus far by the Congress. The changes are needed to allow proper management of administrative resources and to provide complete cost data for evaluating the productivity of the Department's administrative activities.

Overall Request

We will be able to carry out the Department's mission with 4,530 FTE, a savings of 261 FTE over the revised 1985 level, and also achieve a budget savings of $21.5 million in 1986 as a result of management initiatives already undertaken or planned by the Department.

We will be able to do so because of program and administrative improvements, such as switching from overly specific categorical grants to block grants, deregulation, functional reorganization and improved management of operations. We have implemented new information resource systems, eliminated the backlog of audit resolutions, increased debt collection and developed better cash management procedures. Unnecessary overhead positions in both staff and program offices have been eliminated; more will be eliminated in the future. We continue to seek simpler, more efficient methods of distributing funds to recipients, collecting debts and enforcing laws and regulations.

In 1986 we will continue to improve administrative operations by assessing the feasibility of contracting out more functions and identifying additional areas that can be organized more effectively to eliminate unnecessary overhead staff and duplicate functions.

The 907 FTE requested for the Office for Civil Rights is adequate to handle the workload because management improvements initiated over the past few years continue to improve efficiency. The office has purchased microcomputers to improve data collection and information transmission capabilities. A new compliance review site selection procedure has been implemented and a new Technical Assistance Management System has been developed to measure and evaluate technical assistance. The Office continues to use Early Complaint Resolution and pre-letter of finding settlement techniques whenever possible. Fourteen formal and 38 informal memoranda of understanding have been established with State education and human rights agencies to exchange information on findings, remedies and technical assistance, thereby avoiding duplicate efforts.

All of these initiatives have greatly enhanced productivity. As one important result, the backlog of cases related to the Adams court order was eliminated in 1984.

In the Office of the Inspector General staffing will be maintained at the revised 1985 level, an increase of 5 FTE from 1984. This increase reflects the Administration's commitment to reducing fraud, waste and abuse in light of the overall Federal budget and employment situation. With 299 FTE in 1984, the Office of the Inspector General processed 2,797 non-Federal audit reports; conducted 112 program audits, 26 pre-award audits, 36 contract audits and 20 internal audits; completed 828 investigations; and closed 141 complaints. Audit activity resulted in total cash recoveries of $7.4 million in 1984.

Debt Collection

Efforts to improve debt collection include the Federal Employee Record Match, under which almost $10 million has been collected from current and past Federal employees who defaulted on their student loans. We project that an additional $6 million will be collected in 1986.

In 1986, we plan to continue the gradual transition from Federal collections to more cost-effective private contractors for collecting delinquent and defaulted student loans. Since 1981 we have eliminated over 800 positions. We maintain only enough staff for preparation of files for transfer to contract collection agencies, files maintenance, preparation of cases for litigation and billing.

This shift to contract collectors has accompanied an increase in Federal collections of defaulted student loans from $61.4 million in 1981 to an estimated $115.6 million in 1985. In 1986, collections collections will increase another $15.8 million to $131.4 million. The planned increases in collections are the result of several Departmental initiatives. Defaulters are being brought into repayment with the help of the Social Security Administration, the Internal Revenue Service, litigation, credit bureaus, collection agencies, garnished paychecks and the attachment of school transcripts. The Department has, for example, forwarded over 14,000 cases to the Justice Department for litigation since last November and will continue to press forward in this area. As provided for in the Deficit Reduction Act, we are currently working with the Internal Revenue Service on implementing a Federal income tax refund offset program to begin in January 1986. This program will permit the Internal Revenue Service to turn over to the Department tax refunds from people with delinquent or defaulted loans. We have also referred about 340,000 accounts to four nationwide credit bureaus.

Cash Management

The Department improved its cash management practices and thereby its cash flow through upgrading financial systems and internal controls. Increased use of letter of credit and electronic fund transfer techniques together with improved cash management practices saved the Treasury $13.3 million in 1984 and will save an additional $16.1 million in interest costs in 1985.

Administrative Services

To improve efficiency, we plan to consolidate regional offices, as part of the Administration's overall review of regional office structure. A study of the Department's regional structure is currently underway and will be completed shortly. It is expected that this initiative will allow significant savings in employment and associated costs.

We also plan to release additional office space. In 1984 usage was approximately 218 square feet per person. Through careful management of space, we believe we can reduce usage to 170 square feet. This decrease combined with the SLUC rate charge freeze by the General Services Administration should reduce our net funding needs by $4.1 million.

Productivity Reviews

The Department has taken steps to increase reliance on private sector capabilities to improve productivity. Activities such as internal mail services, printing and personnel classification have been contracted out. The Department has also contracted with other Federal agencies that can provide services more cost effectively than a small agency such as the Department of Education. We have, for example, contracted with the Department of Agriculture's National Finance Center to handle administrative payments and the Department of Interior to handle payroll.

In 1986 we project a net savings of about $350 thousand and 31 FTE associated with productivity improvement efforts. These savings are dependent on the outcome of reviews currently being conducted to determine a more efficient way of handling personnel actions processing, selected ADP functions, grant classification procedures and selected statistical operations at the National Center for Education Statistics.

Overhead Staff and Duplicate Functions

Elimination of excess overhead staff and duplicate administrative functions is expected to result in a savings of 108 FTE and approximately $4 million. These savings will be accompanied by national office reorganization; the specifics of this reorganization are now under study.

Other Savings

The proposed Government-wide 5 percent civilian employee pay reduction will save $6.3 million. The number of GS-11 through GS-15 employees will be decreased through attrition, hiring at lower grades, job restructuring and organizational improvements, saving approximately $2 million. In addition, 1985 savings proposed under section 515 of the Treasury-Postal Service Appropriations Act and under section 2901 of the Deficit Reduction Act of 1984, would be continued in 1986.

1985 Rescission

Let me briefly summarize our rescission request.

In compliance with the Deficit Reduction Act, we are requesting a 1985 rescission of $4.189 million. We propose to achieve these savings by reducing our budget for motor vehicles by $15 thousand; travel and transportation of things by $1.060 million; public affairs by $530 thousand; printing by $2.110 million; and consultant services by $474 thousand. Most of these savings will be accomplished through management improvements, such as curtailment and careful monitoring of travel not related to program monitoring; continuation of our rigorous printing and audiovisual approval process and further centralization of public affairs.

An additional $4.254 million for consultant services will be withheld from obligation as required by Section 515 of the Treasury-Postal Service Appropriations Act.

We are proud that the Department's management improvements and initiatives will enable us to operate in 1986 at a level which, while ensuring efficient and effective program administration, nonetheless creates savings that help control the Federal deficit.

Mr. Chairman, thank you for the opportunity to present our request. My colleagues and I will be happy to answer any questions.

BIOGRAPHY OF LINDA COMBS

POSITION : Deputy Under Secretary for Management

BIRTHPLACE
AND DATE : Lenoir, North Carolina, June 29, 1946

EDUCATION : Gardner-Webb College, Boiling Springs, NC, 1966, A.A.
Appalachian State University, Boone, NC, 1968, B.S.; 1978, M.A.

EXPERIENCE :

PRESENT : Deputy Under Secretary for Management

1983-1984 : Executive Secretary, Department of Education
1982-1983 : Deputy Executive Secretary, Department of Education
1980-1982 : Manager, National Direct Student Loan Operations, Wachovia Corporation, Winston-Salem, NC
1979-1980 : Section Manager, Wachovia Corporation, Winston-Salem, NC
1968-1979 : Winston-Salem/Forsyth County School System, Winston-Salem, NC
  Assistant Principal, Speas School, 1977-1979
  Reading Coordinator, Ardmore School, 1975-1977
  Reading Teacher, Ardmore School, 1973-1975
  Director, Title I Summer Program, 1973
  Reading Teacher, Clemmons School, 1971-1973
  Teacher (6th Grade), Brown School, 1970-1971
  Teacher (6th Grade), Kernersville School, 1968-1970

BOARD
MEMBERSHIP : Winston-Salem/Forsyth County Board of Education, 1980-1982
Gardner-Webb College Alumni Association
Board of Visitors, Babcock School of Management, Wake Forest University

ASSOCIATION
MEMBERSHIP : Honorary Member, International Reading Association
Phi Delta Kappa International Honor Society
Delta Kappa Gamma International Honor Society

Salaries and Expenses

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Salaries and expenses..........	$230,000	$243,505	$241,075	$237,427	---
2. Postsecondary education.........	---	---	---	---	$78,342
3. Other education programs........	---	---	---	---	56,700
4. Civil rights....................	44,396	42,633	45,000	44,459	42,938
5. Inspector General...............	12,989	15,312	15,312	15,312	14,837
6. Executive direction.............	---	---	---	---	84,525
Total......................	287,385	301,450	301,387	297,198	277,342
FTE (workyears):					
Full-time permanent...............	4,371	4,627	4,375	4,362	4,252
Other.............................	603	303	429	429	278
Total......................	4,974	4,930	4,80[illegible]	4,791	4,530

NOTES

2. The 1986 estimate for Postsecondary Education includes $1,500 thousand for data processing services and $100 thousand for loan management previously financed in Guaranteed Student Loans and Higher Education Facilities Loans and Insurance. Comparable amounts: 1984 - $1,500 thousand, GSL and $70 thousand, HEFLI; 1985 - $1,500 thousand, GSL and $100 thousand, HEFLI.

BUDGET REQUEST

Ms. COMBS. Thank you very much.

I would appreciate a couple of minutes so I could summarize a few points and highlight some things that we have in our budget proposal. In line with the administration's plan to reduce administrative costs, we are requesting a $277.3 million budget and 4,503 FTE's for 1986. This does represent a decrease from 1985 of $21.5 million and 261 FTE's.

We are also proposing a $4.2 million rescission in 1985 due to the Deficit Reduction Act.

The reductions we plan to make are mainly in travel and printing. We want you to know that we are able to achieve many of these savings and at the same time provide a very high quality of service to the public because of so many management improvements that have been made within the Department.

We are also committed to providing timely and efficient program delivery services.

We propose a consolidation of the "Salaries and expenses," "Civil rights," and the "Inspector general" accounts into one appropriation. We feel this would simplify accounting and provide more flexibility to the Secretary in managing the Department's resources.

We would also like to point out that the Department has been in the forefront in developing serious and aggressive internal control procedures. We have made important gains in productivity in the last few years. We have also eliminated many backlogs that were in existence, and we also have improved and updated our financial management system and improved our cash management, thus improving our cash flow.

We are pleased that we have been able to reduce administrative expenses and reduce the cost of processing administrative payments.

We are especially pleased with our effort in Federal debt collection. I think this budget that we have before you today represents and reflects our commitment to providing effective and efficient delivery of services to the program areas within the Department of Education, and it also maintains the momentum which we have already begun.

We are pleased to be here with you today, and are happy to entertain any questions that you might have of any of us.

SCHEDULE C EMPLOYEES

Senator INOUYE. Thank you very much.

This committee has been apprised that your Department has a higher proportion of schedule C employees than any other Department. For example, within the Department of Education, your Department, out of a total of 4,942 employees, 101 are schedule C's or political appointees, whereas in the Department of HHS with a total employment of 134,778, 105 are schedule C's.

Why is this the case?

Ms. COMBS. Actually, our number of schedule C's isn't quite that high. If we look in terms of noncareer employees within the Department from 1983 to 1984, we have maintained approximately the same level.

Senator INOUYE. What is the level?

Ms. COMBS. Approximately 98 schedule C's. The 101 you are talking about is due to some overlap of staff during the transition from one Secretary to another.

Senator INOUYE. You have 98?

Ms. COMBS. Schedule C's. We also have a number of limited-term noncareer SES employees, as well. Those people were brought on as the Department was created. Many of their terms will expire this year. We anticipate that our level of schedule C's will remain approximately the same.

Senator INOUYE. I believe you will have to correct this sheet that you submitted to the committee.

Ms. COMBS. OK.

CONFIDENTIAL ASSISTANTS RESPONSIBILITIES

Senator INOUYE. Who are those men and women who carry the title confidential assistant? What do they do?

Ms. COMBS. Confidential assistants are special assistants who have responsibilities within various program offices within the Department of Education. They work with Assistant Secretaries and work on policy and administrative matters that the Assistant Secretary would have need for.

Senator INOUYE. Other departments have confidential assistants also? I am just curious.

Ms. COMBS. I would assume that they do. I don't know.

EARMARKING MINIMUM FUNDING LEVEL FOR OFFICE FOR CIVIL RIGHTS

Senator INOUYE. Your 1986 budget proposes appropriation language to earmark a minimum funding level for the Office of the Inspector General in order to ensure the independence of the financial resources of that office.

Why are you not proposing a similar earmark for the Office for Civil Rights, since the Congress also provided for the independent operation of that office under the Department of Education Act and this committee has rejected your submerging the Office for Civil Rights in each of the last 2 or 3 years?

Ms. COMBS. We felt it was very important to maintain the integrity of the inspector general's floor because of the fraud, waste, and abuse and the specific areas of responsibility that the inspector general has.

We have a strong commitment to the Office for Civil Rights, and the Assistant Secretary is here; he could speak to you, as well.

Senator INOUYE. The Congress, in its bill, provided for the independent operation of the Civil Rights Office. Don't you take that into consideration?

Ms. COMBS. The inspector general, we feel, must maintain integrity and independence in order to perform his functions. The Office for Civil Rights——

Senator INOUYE. Doesn't have to?

Ms. COMBS. Surely, they certainly do. But we don't feel that an appropriations floor for the Office for Civil Rights is necessary for them to maintain the independence that they need.

Senator INOUYE. I presume Mr. Singleton agreed to that?

Mr. SINGLETON. Mr. Chairman, I think that the current FTE level that is being proposed here and the dollar amounts to support them are adequate for us to meet the challenges of our mission, assuming that we don't have large increases of complaints and so forth.

Senator INOUYE. Ms. Combs, if we may, we would like to submit for your consideration several questions.

Ms. COMBS. Certainly. I would be happy to take them, sir.

Senator INOUYE. At your earliest convenience, if you would submit your answers, we would appreciate it.

Thank you very much.

Ms. COMBS. Thank you.

OFFICE FOR CIVIL RIGHTS

Senator INOUYE. Now comes civil rights.

Do you have a statement to make?

Mr. SINGLETON. No, I don't, Mr. Chairman. I don't have any statement to make other than that which Ms. Combs has made. I would be happy to answer any questions that you may have.

Senator INOUYE. The Department is again requesting, as we have noted, that civil rights activities be funded under the "Salaries and expenses" account. Was this your recommendation, and what is your view of the effect this action would have on the independence of your office?

Mr. SINGLETON. Mr. Chairman, I have to plead some ignorance in that. I consider that to be somewhat of a technical matter for the budget staff in terms of how they handle the accounts and so forth.

I don't know that that necessarily affects the independence of my office in being able to carry out my mission.

Senator INOUYE. Don't you want to have some control over the funding of your activities?

Mr. SINGLETON. I think that the control that I have is similar to the kind of control that the inspector general has. I think that we are both similar in the semiautonomous state that we have in the Department.

I don't think that the independence of my office would be totally jeopardized by conformation of the account.

OCR PRINTING BUDGET REDUCTION

Senator INOUYE. OK.

For the last 2 years, this committee has urged the production of pamphlets or other materials or methods of advising citizens as to what their rights are in some of these programs and where they can go or what they can do if they have a discrimination complaint.

Last year, you brought to our attention the very fine TV spot you had produced. We also understand that you developed a pamphlet providing information on sexual harrassment and a handbook providing guidance of increasing minority enrollment in graduate and professional schools.

I hope I am misreading the justification which indicates that your printing budget will now decrease from over $250,000 to $37,000. Is that correct?

Mr. SINGLETON. That is correct.

Senator INOUYE. How do you propose to carry out the programs that you have been telling us that you will carry out?

Mr. SINGLETON. Those items have been printed, and we have recently completed another series or runs, if you will, of technical assistance materials on titles VI, IX, section 504 and, I believe, the Age Discrimination Act. I think that those items, coupled with the items that you mentioned a moment ago, will sustain us for the near future.

To the extent that I feel that in the out-years that I will need more money for the printing budget, I certainly will recommend that to the appropriate officials in the Department for increases in our budget—in our printing budget.

Senator INOUYE. Right now, you have no plans for new projects?

Mr. SINGLETON. No; none at the moment.

Mr. SKELLY. It is important, Senator, to point out that Congress, in passing the Deficit Reduction Act last year, required us to come up with reductions, and printing is one of the five key areas. Some of that reduction was out of our control.

Senator INOUYE. We have several other questions I have been asked by the committee to submit for your consideration.

INSPECTOR GENERAL

Now I would like to ask a few questions of the inspector general. What process does your office employ to determine what areas should be looked into, and how do you decide which matters to investigate?

Mr. THOMAS. We have two processes, Senator, one for determining what areas to look into as a part of our audit activity. There is an OMB circular which sets out certain criteria, such as size of a program, such as newness of the program, such as areas which are susceptible to fraud, waste, and abuse.

We also solicit from each of the Assistant Secretaries, the Secretary and the Under Secretary areas in which they have identified potential weaknesses which we can look at and consider for inclusion in our audit plan.

Based upon that, we prepare an annual audit plan each year to allocate audit resources. The plan includes specific audit areas. We are also mindful of the appropriations in each account in making the selections and we try to cover all major areas in the Department.

You used the term investigate. The large number of our investigations start from allegations which we receive, either from employees, from recipients of the programs or from officials within the Department.

We maintain a hotline where we receive calls from concerned individuals. We oftentimes, generally on a project, work with U.S. attorneys, with State prosecutors, and with the Immigration and Naturalization Service.

So the individual cases that we investigate, as well as individual audits which we perform, come from a variety of sources.

Senator INOUYE. In proportion of time, do these individual cases emanate from complaints from the field or from individuals, or are they more or less in the direction received from the Secretary and his Assistant Secretaries?

Mr. THOMAS. We do not receive direction from the Assistant Secretaries.

Senator INOUYE. Or suggestions?

Mr. THOMAS. Suggestions, which we then put into our thought process in developing our audit plan. That decision is totally mine.

Senator INOUYE. What percentage of your time is spent on these suggestions?

Mr. THOMAS. I have no way of knowing that. I have not ever tried to calculate that.

Senator INOUYE. Most of your time?

Mr. THOMAS. I would say no. No; because much of our audit time has been spent on what we call nationwide audits and internal audits which are generated as part of our Office of Inspector General internal operations. It is a process by which we get a feel for the overall operation of programs nationwide.

As far as our investigative effort, most of our cases there have come from the student aid area where we spend approximately 80 to 85 percent of all our staff effort.

Senator INOUYE. You receive suggestions from the Assistant Secretaries. How many of those suggestions have you turned down?

Mr. THOMAS. I don't have any way of knowing that without going back and checking. We use the input that we receive, and incidentally, it is not comprehensive input that we receive. There usually are a couple of suggestions from a particular Assistant Secretary. I don't believe we have received any suggestions from the Secretary in the last year or two.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator INOUYE. We have a few questions we would like to submit to your office for your consideration.

Mr. THOMAS. I would be happy to respond to them.

Senator Inouye. As you know, at 12 noon, we have our weekly caucuses, so on arriving at that time I thank you very much, Ms. Combs and gentlemen.

Ms. Combs. Thank you.

Mr. Thomas. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

REDUCTIONS-IN-FORCE

Question: The Department of Education most recently reorganized and reduced staff in 3 principal offices in September 1983. (The Department had previously reduced its program staff less than 2 years earlier, in January 1982). Under the September 1983 reorganization, the Office of the Secretary's Regional Representative increased its public relations responsibilities and eliminated technical assistance and dissemination responsibilities. In the Offices of Elementary and Secondary Education and Vocational and Adult Education, programs were consolidated, transferred to other organizational units, and restructured.

At least 148 positions were eliminated from program staff. These reductions were accompanied by numerous reassignments and downgradings. Many employees were reassigned to areas in which they had no expertise. The reorganization and staff reductions generally decreased or eliminated much of the Department's monitoring and evaluation responsibilities, and technical assistance provided to States and localities.

In light of the disruptions to program management in the last three years caused by reorganization and staff reductions, does the Department plan any reductions in force or major program reorganizations?

Answer: The Department has no plans to conduct a reduction-in-force or major program reorganization in FY 1986. We are proposing a reduction of 261 full-time equivalent (FTE) as a result of the expiration of term employee authority on March 31, 1985; possible contracting out of functions; elimination of duplicative and unnecessary overhead positions; and a general streamling of activities. None of these proposals involves a major reorganization of program activities. We hope to achieve the reductions through a combination of attrition, which is running about 6 percent per year for the Department, and reassignments.

Question: Does the Department plan to further decrease its technical assistance to States and localities or its monitoring and evaluation of grantees?

Answer: None of the proposed reductions, FTE or otherwise, are associated with technical assistance or monitoring of grantees. Program evaluation funds in the Salaries and Expenses account are held level from 1985 to 1986.

EXECUTIVE DIRECTION REDUCTIONS

Question: Your proposal to cut $23 million from salaries and expenses from last year's level is commendable, but the way you went about it is a little puzzling.

You would cut travel and printing to the tune of $4 million. Travel which is necessary to monitor compliance with programs, and printing which is necessary in order to produce available materials informing people of their rights.

Then you propose reducing everyone's salary by 5 percent, further improving morale at the Department.

Since you have the same number of people in executive direction as you do in the entire Department to administer all programs, why didn't you take a look at your top-heavy management -- 50 percent higher than the Government average -- and start slicing there?

Answer: We have proposed reductions in travel and printing as directed by Congress in the Deficit Reduction Act. None of the reductions affect funding for monitoring or information materials. The 5 percent salary reduction is a Government-wide initiative to help balance the budget.

Executive Direction accounts for 22 percent of the Department's 1986 request for staff. This category includes many functions essential to program operations, such as grants and contracts processing, disbursement and accounting of funds, personnel management, data processing, legal counsel, regulations, budgeting, program evaluation and administrative services. These functions are carried out by the Offices of Management, General Counsel, and Planning, Budget and Evaluation. Executive Direction also includes the Offices of the Secretary and Under Secretary, Legislation and Public Affairs, and Intergovernmental and Interagency Affairs. The latter administers special programs such as the President's Academic Fitness Award program, Adult Literacy, the Education Appeal Board and the Civil Rights Reviewing Authority. In making reductions for both the Deficit Reduction Act and Section 515 of the Treasury-Postal Service Appropriations Act, we reduced Executive Direction more than any other activity. The total reduction in Executive Direction under these acts is $4.4 million. Overall Executive Direction costs are projected to decrease by $13 million or 60 percent of the Department's projected decrease for FY 1986. In terms of FTE, the number of Executive Direction staff is projected to decrease by 19 percent between 1984 and 1986, while the number of other Departmental staff will decrease by only 4 percent.

REDUCTIONS AT GS-11-15 LEVEL

Question: Your budget policy for FY 1986 reflects decreases of over $2 million resulting from an "initiative" to reduce the proportion of GS-11-15 employees. In addition, your justifications state that in FY 1985 GS-11-15's comprised over 62 percent of the total number of permanent positions within the Department.

How do you plan to reduce the number of GS-11-15s in you Department?

Answer: The projected dollar and grade level reductions will largely result from improved position management by the Department's principal program officers. Reducing the number of GS-11-15 positions results from reducing the grade classification of certain positions vacated through retirements and other voluntary departures. We will also fill vacated positions at the lowest realistic entry levels.

Question: How many GS-11-15 positions do you plan to downgrade in order to achieve this goal, and what criteria would you use?

Answer: We do not have a specific number of positions that must be downgraded. Our projections are based upon findings from position classification reviews and experience with position restructuring as programs reorganize.

Question: How many "Schedule C's" would be downgraded?

Answer: Schedule C positions in the Department are currently 3 percent of our total GS-11-15 positions. Although Schedule C positions are included in our overall plan, the number affected will be small because of this proportion and because those employees are not a permanent part of our workforce.

Question: What offices within the Department are most likely to be affected by this proposed initiative?

Answer: All offices within the Department will be affected by this initiative.

Question: In your justifications you state that a reduction in the number of GS-11-15s could be achieved through "job restructuring" and revisions in the "promotion and career ladder" policies. Please expand on these policies for us.

Answer: The Department is taking an aggressive approach to the reduction in the number of GS-11 through 15 positions. The primary vehicle for this task is the classification survey program. This program encompasses a complete classification review every two years of the positions in the Department. The data gathered in these reviews is used in determining the optimum classification structure for the organizations surveyed. Overgraded positions are reclassified and recommendations are made on appropriate job restructuring.

Job restructuring involves an analysis of the duties assigned to a particular position or group of positions and recommendations as to the most efficient placement of duties. For example, there may be three similar positions where 25 percent of the duties of each position are classified at the GS-13 level. (This is the normal lower limit for the percentage of grade controlling duties.) Job restructuring might result in one position being classified at the GS-13 level with 75 percent of the duties at that level and the other two positions being reclassified at the GS-12 or lower level.

Information from the classification surveys also contributes to the creation of career ladder structures which help to keep grade levels down. While position management is the responsibility of the principal program officers, the survey information helps to identify for them areas where career ladders could terminate at lower grade levels or where technician career ladders could replace professional career ladders. An example might be a case where an office with five specialists in career ladders to the GS-12 level could be restructured to include three specialists and two technicians in career ladders to the GS-7 level.

The Department's promotion and career ladder policies emphasize that career ladders should be established only to the lowest grade where the work will be performed on a regular basis, and that promotions take place only when it is demonstrated that the employee is capable of performing the higher graded duties.

Question: Briefly describe the basic responsibilities assigned the various GS-11-15 staff.

Answer: Basic responsibilities of staff in grades 11 through 15 are as follows:

GS-11 and GS-12

These grades represent the normal working levels in the various programs. Employees at these grades carry out the work assignments necessary to accomplish program objectives.

GS-13

This grade is normally a first level supervisor or a highly specialized nonsupervisory position.

GS-14

Positions of this grade are normally supervisory or managerial, often including second level supervision.

GS-15

Positions at this grade are normally managerial, often division directors.

Question: How would these responsibilities be affected by your proposal to reduce the number of GS-11-15s -- are work assignments likely to change or would staff be expected to maintain the same work responsibilities with less pay?

Answer: Most of the reductions in the GS-11-15 positions are likely to come from the GS-13, 14, and 15 levels and have no impact on accomplishing program objectives. Reductions at the higher grades will result from elimination of unnecessary organizational layering and increasing the range of supervisory responsibilities at the remaining levels.

MERIT PAY INCREASES

Question: Please provide us with a list of merit pay increases that were awarded to Department of Education personnel in FY 1985 by GS grade and amount of award.

Answer: Merit pay increases that have been awarded to ED personnel in 1985 by grade level to date are:

Grade Level	Number of Awards	Total Dollars Awarded	Average Award
GM-13	257	$166,[illegible]66	$646
GM-14	304	241,771	795
GM-15	276	204,456	741
Total	837	612,293	732

FIVE PERCENT PAY RATE REDUCTION

Question: Your request for the Department of Education's salaries and expenses already includes a pay rate reduction of 5 percent for all employees, except, I assume, for the Secretary and a few others.

How much more in budget authority would you need if Congress were to agree with your proposed staffing levels and salaries would be frozen at the FY 1985 level?

Answer: With a proposed staffing level of 4,530 and pay rates frozen at the FY 1985 level, we would need an increase of $6,277,000, the amount of the 5 percent pay rate cut.

Question: How much more would be needed if the Department's staffing levels and salaries would be frozen at the FY 1985 level?

Answer: With both staffing and pay rates frozen at the FY 1985 level, we would need an increase of $14,640,000 ($6,277,000 to offset the 5 percent pay rate cut and $8,363,000 for the additional 261 FTE).

Question: How much more would be needed if staffing levels would decrease to the FY 1986 budget policy level but a 3-5 percent pay rate increase would be implemented?

Answer: (3) With staffing levels at the FY 1986 budget policy level of 4,530, and a 3-5 percent pay rate increase for three fourths of a year, the following increases would be needed:

$6,277,000 to offset the the 5 percent pay rate cut and $1,255,400 for each 1 percent pay rate increase or:

$10,043,200	at	3 percent
$11,298,600	at	4 percent
$12,554,000	at	5 percent.

Question: How much more would be needed if staffing levels would remain at the FY 1985 level and a 3-5 percent pay rate increase were provided?

Answer: With staffing levels at the FY 1985 level of 4,791 and a 3-5 percent pay rate increase for three fourths of a year, the following increases would be needed:

$6,277,000 to offset the 5 percent pay rate cut, $8,363,000 for the additional 261 FTE; $1,351,400 for each 1 percent pay rate increase or:

$18,502,200	at	3 percent
$19,757,600	at	4 percent
$21,013,000	at	5 percent.

ELIMINATION OF DEPARTMENT PROGRAMS

Question: What would your FY 1986 request for Salaries and Expenses be if none of your proposals to eliminate certain Department of Education programs were enacted?

Answer: There would be no change in the FY 1986 Salaries and Expenses request if proposals to eliminate certain Departmental programs in FY 1986 are not enacted. None of the reductions in the Salaries and Expenses proposal are associated with programs proposed for elimination. The Department does not propose Salaries and Expenses reductions until Congress has acted to eliminate a program. Since most Education programs are forward funded, the work continues for some time after a program is terminated. Close out activity is also required.

PRESIDENTIAL SCHOLARS PROGRAM

Question: Within the Office of Elementary and Secondary Education there is the Presidential Scholars program. Please outline the purpose of this program and the procedures used to choose the recipients of these awards.

Answer: The United States Presidential Scholars program was established to honor graduating high school seniors who have demonstrated exceptional academic and artistic talent. There are 141 students who are chosen annually to receive the award.

A Commission on Presidential Scholars was established by the President to select and honor the Presidential Scholars. The Commission members serve at the pleasure of the President and receive no monetary compensation for this participation. The final selection of the scholars rests solely upon the independent judgment of the Commission. The Department of Education provides administrative support to the Commission and assists in fulfilling the Commission's various responsibilities.

There are two ways to become a Presidential Scholar: (1) high academic achievement, or (2) a combination of outstanding academic and artistic scholarship in the arts. Most students are chosen on the basis of high academic achievement.

All high school seniors are automatically identified for the program if they have scored exceptionally well on either the College Board Scholastic Aptitude Test (SAT) or the ACT Assessment of the American College Testing program. Students qualifying through these tests must authorize release of their student descriptive information through participation in the College Board's Student Search Service or the ACT Educational Opportunity Service. Through a subsequent review in January of student profiles and descriptive questionnaires, approximately 1,500 students are identified as potential candidates. Candidacy packets are distributed in February through each candidate's school principal. To be considered further, students are asked to submit, by mid-March, materials to support their candidacy, such as essays, self-assessments, secondary school reports, and transcripts. From the most outstanding 500 students selected as finalists in April, the Commission selects 121 Presidential Scholars: one young man and one young woman from each State, the District of Columbia, the Commonwealth of Puerto Rico, and from families of U.S. citizens living abroad; and 15 students chosen at large.

In addition, 20 Presidential Scholars in the Arts are chosen for recognition on the basis of their academic and artistic scholarship in the visual and performing arts or in creative writing.

To be considered for this component of the program, a group of selected students who participate in Arts Recognition and Talent Search — the national program for the identification and recognition of young people who have demonstrated excellence in the arts — are identified for consideration by the Commission. Recommended candidates are subsequently asked to affirm their candidacy and submit supporting materials. From those identified as finalists, the Commission selects the 20 Presidential Scholars in the Arts who have exceptional accomplishment in dance, music, theater, writing, or the visual arts.

The President of the United States notifies all Presidential Scholars of their selection in early May.

CONTRACTING OUT NCES ACTIVITIES

Question: According to your Justifications, you plan to contract out certain data analysis and statistical research activities of the National Center for Education Statistics. What types of activities would this involve?

Answer: In compliance with OMB Circular A-76, the Department will conduct productivity improvement reviews during FY 1985 of several operations, including selected statistical activities at the National Center for Education Statistics. The specific statistical areas to be reviewed have not been identified yet.

Question: Why should these activities be contracted out?

Answer: The activities would be contracted out only if the review indicates that the functions could be handled more cost effectively by the private sector.

FULL-TIME EQUIVALENT POSITIONS

Question: According to your justifications, you are requesting funding for 119 fewer full-time equivalent permanent positions (from 4,371 in FY 1984 to 4,252 in FY 1985). How many of these positions currently are filled?

Answer: All of the positions are filled at this time.

Question: How many of these 120 positions can be eliminated through normal attrition?

Answer: We plan to eliminate all of the 120 positions through employee attrition.

Question: Will these reductions in positions come from program offices or from so-called "executive direction offices?

Answer: Between FY 1984 and FY 1986 the Office of Postsecondary Education will increase by 117 FTE. Other Education Programs will decrease by 32 FTE in overhead areas, the Office for Civil Rights will remain level, the Office of the Inspector General will increase by 5 FTE, and Executive Direction will decrease by 210 FTE. This is a net reduction of 120 FTE.

PRINTING AND REPRODUCTION REDUCTIONS

Question: Throughout your FY 1986 request for salaries and expenses you consistently propose the reduction of printing and reproduction activities. How would these reductions affect the public's access to information on program eligibility, operations, complaint procedures, and technical assistance materials?

Answer: The proposed reduction in printing and reproduction services will have no effect on the Department's ability to provide information to the public. Funding for materials that inform the public has not been slated for reduction.

The proposed reduction in reproduction services will be accomplished by closing copying centers, cancelling contracts for rented photocopy equipment and by ordering fewer photocopy supplies. Savings in printing costs will be from reducing or eliminating the printing of some documents used internally, such as organization charts and telephone directories, and from lowering the costs of currently printed items through reducing the number of copies made and using less expensive paper or production methods. None of these reductions scheduled are for program-related printing on those items that provide the public with information or program eligibility, operations, complaint procedure, or technical assistance.

EVALUATIONS AND STUDIES AFFECTED BY SECTION 515

Question: Your Justifications state that approximately $4.3 million in FY 1985 budget authority for salaries and expenses will lapse in order that the Department comply with section 515 of the Treasury-Postal Service Appropriations Act. You state this would require the Department to defer some evaluations and to curtail special studies and analysis. Please describe the types of evaluations and special studies which have been affected?

Answer: Several types of evaluations and studies were reduced in funding, deferred, or cancelled as a result of Section 515 of the Treasury-Postal Service Appropriations Act. Projects which may not be funded in 1985 include:

Evaluation of Programs for the Gifted and Talented

A study to describe what school districts do and assess their effectiveness in delivering services to the gifted and talented.

Analysis of Armed Forces Test Data

A contract to analyze achievement and aptitude trends in various DOD testing programs.

Enhancement of Postsecondary Institutional Quality

A study of what institutions are doing to enhance quality, upgrade their technical capability, and maintain or increase quality while meeting the needs of the student market.

Work-Based Attendance: Expanding Teacher Choice

A study to examine the concept and the associated problems of implementation, in allowing the registration of children at a school near the parent's place of work.

Private School Quality, Characteristics, and Participation

A study to look at characteristics of private schools, their links with public-school districts, and ways in which public agencies have provided assistance to private school students.

Evaluation of R&D Programs in Education

A project to examine the dissemination practices of the R&D components of ED and evaluate their efficiency as well as the utilization of materials developed.

Traditional Values and Contemporary Text Books

A study to examine to what extent today's text books reflect traditional values.

ADP SERVICES FOR THE OFFICE OF POSTSECONDARY EDUCATION

Question: You are requesting a $1.3 million increase in funds for the Office of Postsecondary Education for additional automated data processing services to be used in student financial assistance program operations. How much of this amount would you use to improve the accuracy of the model which projects budget authority needs for the Pell Grant program? If none, are there plans to improve upon the accuracy of the Pell Grant model?

Answer: The $1.3 million increase for the Office of Postsecondary Education will provide funds for the Integrated Student Aid Delivery System project. While no specific amount is earmarked for improvement of the model which projects budgetary authority needs for the Pell Grant program, the entire project is dedicated to the improvement of program financial management information for all Title IV programs. The enhanced information capabilities will improve the Department's ability to project budgetary requirements for all Title IV programs.

MERGER OF S&E ACCOUNTS

Question: For several years you have proposed the consolidation of three accounts--Program Administration, Office for Civil Rights, and the Office of the Inspector General. Each year the Congress has chosen to maintain these separate accounts. Why do you continue to propose this merger?

Answer: The merger of the three accounts into a single consolidated account will simplify the Department's account structure and increase flexibility in managing administrative resources. The relatively small employment and dollar requirements of the Department do not justify three separate salaries and expenses accounts. A proposed appropriations floor for the Office of the Inspector General would assure the integrity of the funding for that office. Moreover, improved flexibility would enable the Department to accomodate substantially greater shifts in resource requirements than it currently can. For example, in fiscal year 1984, the Office of the Inspector General required a $2 million supplemental appropriation while the Salaries and Expenses account lapsed almost $2.9 million. Had we had a merged account in that year, no supplemental would have been needed. We have displayed the merged request using five activities, thus showing clearly the costs of major Departmental organizations and functions.

REORGANIZATION OF THE OFFICE OF THE SECRETARY

Question: Are there any plans to reorganize the Office of the Secretary? If so, please describe the types of activities which would be eliminated and the types of activities which would be added. How would these changes affect your FY 1986 budget request for this Office?

Answer: The Secretary is looking at the structure of the entire Department and will notify Congress when definite reorganization plans are developed.

TRAVEL REDUCTIONS

Question: Throughout the Department of Education's FY 1986 budget request for salaries and expenses you request fewer funds for travel. How would this reduction in travel affect the monitoring capabilities of the Department's program administration staff?

Answer: The Department places a high priority on program monitoring and compliance activities. No disruption to the number or frequency of these types of necessary trips will occur in FY 1986. The savings will be realized in such travel categories as speeches and presentations, information, conference attendance and other discretionary purposes.

Question: How many States and localities were visited in FY 1984 for compliance and monitoring purposes compared to FY 1980?

Answer: The Department did not keep a record on the number of program monitoring and compliance trips by locality or State in 1980. In 1984, Departmental staff visited approximately 5,000 grantees for monitoring purposes.

OTHER PERSONNEL COMPENSATION

Question: Your Justifications for salaries and expenses use the categories "other" expenses and "benefits for former employees." Please describe the types of activities funded through these categories.

Answer: The category "other personnel compensation" includes compensation for overtime and for cash awards. "Benefits for former employees" includes unemployment compensation costs as well as amounts for severance pay for employees who are involuntarily separated from the Department.

REGIONAL OFFICE CONSOLIDATION

Question: In your Justifications you are projecting savings of nearly $1.8 million (47 full-time equivalent permanent positions) due to regional office consolidation. Please describe the type of reorganization you would implement.

Answer: A study is currently underway to determine the feasibility of consolidating regional offices and to develop consolidation options. If any reorganization occurs, it will be a transfer of functions from one geographic location to another.

Question: What staff positions within the regional offices would be eliminated?

Answer: The only positions that would be eliminated would be overhead and unnecessary administrative positions.

Question: How would this reduction be achieved?

Answer: Based on past regional reorganization, we believe a number of employees will voluntarily retire or seek other employment.

Question: Would any office within the Department of Education assume additional responsibilities due to the proposed regional reorganization?

Answer: No office would assume new responsibilities.

Question: How would these staff reductions be distributed throughout the regions?

Answer: The distribution of staff reductions will depend on whether, or which, regions are eliminated.

Question: What is the role of the Department of Education's regional offices?

Answer: The Department's regional offices include five components: The Office of the Secretary's Regional Representative (SRR), Student Financial Assistance (SFA), the Office for Civil Rights (OCR), the Office of the Inspector General (OIG) and Rehabilitation Services (RSA). The role of each component is different. The SRR is the Secretary's representative in the regions. SFA conducts lender and institutional reviews and debt collection support activities. OCR investigates discrimination complaints and conducts compliance reviews. OIG conducts audits and investigates allegations of fraud, waste and abuse. RSA administers and monitors grants, and provides technical assistance.

Question: Could activities currently conducted by the Department's regional offices be assumed by the Department of Education staff in Washington?

Answer: Yes, the headquarters staff could assume regional office activities.

Question: What activities are most appropriately conducted by regional offices, and how would these activities be affected by your FY 1986 budget proposal?

Answer: The ongoing study will determine which activities are most appropriately conducted by regional offices. When the study is completed, we will make decisions on the specifics of the consolidation. These decisions will determine how various regional activities will be affected by the proposed consolidation.

Question: How would regional office consolidation increase costs for travel, telephones, and the like?

Answer: This question is being addressed during the study of the regional structure.

Question: When do you plan to initiate regional consolidation and when would the regional consolidation be completed?

Answer: If the decision is made to consolidate, initiation and completion will occur in FY 1986.

Question: How do you plan to notify Congress of your final consolidation plan?

Answer: We will write to both the House and Senate authorizing and appropriations committees before any major reorganization is undertaken.

Question: Is your budget request for salaries and expenses based upon this proposed consolidation taking effect on or before a particular date? If so, what date is this?

Answer: The budget estimates were based on implementation by October 1, 1985.

Question: If consolidation does not take place by this date how much more in budget authority would you need to fund the regional offices?

Answer: The Department's budget request includes a reduction of 47 FTE and $1,792,000 in salaries and benefits.

Question: The Grace Commission report advocates better utilization of regional offices to reduce costs. Does your request for regional office consolidation reflect the Grace Commission's recommendations? If so, please describe this for us. If not, explain why you did not account for the Grace Commission's recommendations in this area.

Answer: The Department established a task force to study regional office operations in line with the Government-wide initiative to explore regional office consolidation. The Government-wide initiative was an outgrowth of the Grace Commission report on better utilization of regional offices to reduce costs. The task force is studying the issue in light of the Grace recommendations.

HEADQUARTERS REORGANIZATION

Question: Your Justifications project salary and benefit savings of $2 million in connection with "headquarters" reorganizations involving 46 permanent full-time equivalent staff. Could you please explain what these "headquarters" reorganizations would entail? When do you plan to implement these reorganizations? Have you notified Congress of your specific plans? If not, when will you present Congress with these plans?

Answer: The Secretary is reviewing the Department's organization and will notify the Congress of any plans to reorganize. The projected reductions of 46 FTE and associated salaries and benefits are estimates of possible savings that could be achieved by streamlining management activities.

ADP CONTRACTS WITH PRIVATE SECTOR

Question : What portion of the Department of Education's total obligations for automated data processing and data communication are expended through contracts with the private sector?

Answer: Over the past several years, about 90 percent of the Department's automated data processing and data communication costs have been expended through contracts with the private sector.

Question: Is this portion greater or less than in the last several years?

Answer: This percentage has been fairly stable over the last several years.

Question: Are sensitive tasks such as the allocation of program funds ever contracted out?

Answer: Decisions on sensitive issues such as the allocation of program funds are not contracted out.

Question: Why are these tasks not handled by Department of Education staff?

Answer: The majority of the Department's ADP services are provided by the private sector because the Department can more easily contract for service than it can bear the time and expense of starting up and maintaining an ADP processing facility. Economies of scale, alone, make it much more effective to contract with the private sector.

OVERHEAD STAFF

Question: You are projecting savings of $1.9 million in salary and benefit savings from the reduction of excess "overhead" staff (62 permanent full-time equivalent positions). Could you expand on this for us? Who are these "overhead" staff?

Answer: A review of the Department's organization structure is being conducted, during which excess overhead staff will be identified. Until the review is finalized we cannot identify specific positions that will be eliminated.

Question: What are their current work responsibilities within the Department?

Answer: Overhead staff generally include administrative support and staff offices, special assistants and supervisory and managerial staff.

TEMPORARY LOAN COLLECTORS

Question: You propose the release of 75 full-time equivalent temporary staff employed by the Department of Education to collect delinquent and defaulted student loans. How many of these positions are currently filled?

Answer: The FTE savings from 1985 to 1986 is 75. Of this number, 50 are attributed to the expiration of our term employment authority on March 30, 1985. The remaining 25 FTE will be saved through management improvements which will reduce our need for Departmental staff involved in debt collection support activities.

Question: Would the work of these staff members be contracted out? If so, what would be the net savings from making this change? If not, how would student loan defaults be handled?

Answer: These reductions in internal debt collection staff are the final stage of our long-term effort to turn direct collection activities over to private contractors. Although we do not have estimates of the net savings, we have had studies done that support the shift to contract collections. Currently, internal debt collection staff are still needed to prepare paper for private contractors, prepare cases for litigation and enter data on these activities into our computer systems.

Question: What are the costs and benefits of contracting out loan default collections?

Answer: The costs of using private contractors as compared to Department staff for debt collection cannot be calculated because of the different type of work each group has done. In the past, internal debt collection employees billed defaulters, which brought in a great deal of defaulted loan payments, but they did not actively collect these debts. The actual debt collection work has, for a number of years now, been the responsibility of the private contractors.

Question: Have student loan collection contracts resulted in the recovery of greater numbers of delinquent and defaulted loans compared to collections made by Department of Education staff? If not, why change the current collection system?

Answer: As our use of private contractors has increased over the years, so have our collections of defaulted student loans. In FY 1983, $73.3 million in defaulted student loans were collected; in FY 1984, $90 million, an increase of $16.7 million over the previous year was collected. In FY 1985, we estimate that collections will increase another $26 million, to $116 million.

OFFICE FOR CIVIL RIGHTS

Question: As you know, the Department is again requesting that civil rights activities be funded under the Salaries and Expenses account.

If you had your "druthers" -- and the funds -- what one activity would you undertake which you are not now doing -- or what activity would you "beef up" in order to perform it better?

Answer: If additional resources were available, we would increase technical assistance to assist recipients in meeting their responsibilities under the civil rights statutes enforced by OCR. OCR's success in negotiating voluntary resolution of violations identified by our investigations leads us to believe that, generally, once informed of their civil rights responsibilities and how to meet them, recipients are willing to comply with the statutes.

It is our belief that targeted technical assistance efforts could increase compliance, thus benefitting beneficiaries. OCR could also benefit because of a potential decrease in the number of complaints which require investigation under the *Adams* order.

Question: We understand that you have run into some problems regarding your requirement that an extensive security investigation must be made on attorneys in the Department's Office for Civil Rights. The law establishing the security system and the executive order implementing full security investigations were supposedly put in place for those positions involving national security.

Why do you consider the position of attorney in the Education Department's Office for Civil Rights "critical sensitive," and how do they implicate national security concerns?

Answer: Our original determinations that certain attorney positions in OCR should be designated "critical sensitive" are involved in litigation that is currently active. On March 28, 1985, the United States District Court for the District of Columbia issued a decision adverse to the Office of Personnel Management (OPM) and the Department in litigation styled *Flake* v. *Bennett*. This suit challenges the sensitivity designations assigned to two senior trial attorney positions in OCR pursuant to Executive order 10450 and guidance provided by OPB in Chapter 732 of the Federal Personnel Manual. An appeal is possible. Because the matter is still in litigation and no decision on appeal has been made, we believe a discussion of the merits of the case would be inappropriate at this juncture.

OCR COMPLIANCE INFORMATION SURVEY

Question: We are pleased to see that you have finally gotten compliance reviews allowing OCR to select, for in-depth examination, targeted discrimination issues and the compliance practices of selected recipients of Department funds -- over the much promised, long awaited 200 mark.

What surveys do you plan for 1986 for the purpose of obtaining compliance information on a program-wide basis?

Answer: OCR is planning to conduct a fall 1986 Elementary and Secondary School Civil Rights Survey. Survey forms are expected to be mailed this fall.

Question: Without survey data, how will you be able to determine who gets a compliance review?

Answer: In the absence of survey data, three general criteria could be used as a basis for targeting: (1) specific indicators of compliance problems (e.g., past and present complaints and compliance reviews) and inferential indicators (e.g., common patterns and previous success ratio); (2) projected impact (e.g., number of beneficiaries affected and type of recipient); and (3) definition (e.g., geographic factors, and control of recipient).

OCR has also initiated a site selection procedure whereby some recipients are randomly selected for compliance reviews. OCR is attempting to determine whether its current approach, using survey data, results in a greater probability of detecting discrimination by targeting recipients randomly. The random site selection study is designed to improve the overall targeting process. The results should enable OCR to compare the effectiveness of its traditional procedures with a "random sampling" techinique, which should serve as valuable input into the development of a targeting model.

Question: How many recipients are you supposed to be checking up on?

Answer: Section 100.7(a) of the Title VI regulations, which is incorporated by reference in the Title IX and Section 504 regulations, requires that periodic reviews be conducted to determine whether recipients are complying with these regulations. There is no requirement regarding the number of reviews which must be undertaken.

OCR processes complaints and conducts compliance reviews in accordance with the provisions of the December 29, 1977, Adams consent decree. The consent decree requires that OCR process all complaints. The consent decree, however, only requires that OCR conduct an appropriate number of compliance reviews each year and provides OCR with discretion as to how many it will undertake. After meeting the requirements for complaint processing, OCR initiates as many compliance reviews as time and resources permit.

OCR REGULATIONS TO IMPLEMENT LAU V. NICHOLS DECISION

Question: So far, you have not proposed regulations to implement the Supreme Court's decision in Lau v. Nichols relating to the access of limited-English proficient students to educational instruction. Do you ever plan to propose some regulations to implement this decision? If so, when?

Answer: The Department has no present plans to publish rules on the subject. There is no need for this type of rulemaking because the Department does not prescribe specific educational approaches nor proscribe others.

Question: Under what guidelines have you been enforcing the Lau decision? Please provide this committee with a copy of these guidelines.

Answer: Under procedures issued July 2, 1982, the Department permits school districts to adopt any professionally credible approach to the task of providing educational access to limited-English-proficient children which would achieve compliance with the legal requirements of Title VI. A copy of these procedures is being provided to the committee.

OCR FY 1985 LAPSE

Question: Will any funds for the Office for Civil Rights lapse at the end of FY 1985? If so, how much and why?

Answer: The Department has reserved from obligation $420,000 from the OCR account under the provisions of Section 515 of the 1985 Treasury-Postal Service Appropriations Act. In the absence of congressional action, these funds will lapse.

A precise estimate of the amount of fiscal year 1985 funds that will lapse cannot be made at this time since funds utilization is contingent upon several activities such as final action on pending procurement requests, the funding requirement for the services of expert witness in administrative hearings, and the rate of attrition.

MONITORING OSERS RECIPIENTS

Question: Your Justifications state that the majority of complaints received by the Office for Civil Rights involve special education cases at the elementary and secondary educational level, yet you are proposing that less than 10 percent of the budget for the Office of Special Education and Rehabilitative Services be used for travel. Why would it not be more cost-effective to increase travel for monitoring and compliance activities within this Office?

Answer: It would not be more cost-effective to increase the amount for travel for OSERS because that office has sufficient funds to adequately monitor and assure compliance with Part B of the Education for Handicapped Children's Act. We believe that OCR would still receive complaints if State and local education agencies were failing to grant children and parents their rights, and that such complaints would have to be investigated by OCR staff. We know of no relationship between the number of civil rights complaints that OCR receives and the amount of travel money in OSERS.

PROPORTION OF BUDGET FOR ON-SITE VISITS

Question: What portion of the FY 1985 obligations for the Office of Special Education and Rehabilitative Services is spent for on-site visits to State and local educational agencies to carry out compliance and monitoring activities?

Answer: With regard to the special education programs, $811,800, or 4 percent of OSERS total salaries and expenses budget, is spent for travel and salaries of staff engaged in on-site visits for compliance and monitoring.

Question: How does this compare with the operating expenses of this Office in FY 1980?

Answer: The proportion of OSERS' personnel and travel budget used to conduct EHA Part B on-site monitoring has increased by approximately one-third since fiscal year 1981. Fiscal year 1980 data are not available.

Question: How many States and localities were visited by the Office of Special Education and Rehabilitative Services staff in FY 1984 for compliance and monitoring purposes compared to FY 1980?

Answer: In 1984, special education program staff visited 15 States to monitor compliance with EHA Part B as compared to 23 State visits in 1981. Fiscal year 1980 data are not available.

OCR/OSERS RELATIONSHIP

Question: Describe the relationship between the Office for Civil Rights and the Office of Special Education and Rehabilitative Services regarding alleged discrimination based on handicapping conditions.

Answer: In October 1980, OCR and OSERS entered into a Memorandum of Understanding (MOU). The intent of the MOU was to establish a framework within which OSERS and OCR would work together to ensure that Section 504 and the Education for the Handicapped Act (EHA) are administered in the most effective manner possible. While internal personnel and structural changes within the offices have rendered many of the procedures under the MOU obsolete, discussions within the past year have occurred between OCR and OSERS for the purpose of revitalizing the collaborative arrangement.

The old MOU created a system by which some complaints received by OSERS alleging violations of EHA would be investigated by OCR. That category of complaints to be referred were those that stated allegations which, if true, would also constitute violations of Section 504. Those complaints are referred to OCR by OSERS. After investigation, OCR informs OSERS whether a Section 504 violation was found and whether there were indications of an EHA violation.

OCR and OSERS continue to follow this referral process, and approximately 30 complaints were referred by OSERS in 1984.

OFFICE OF THE INSPECTOR GENERAL

Question: In your justifications you state that in FY 1984, audit reports prepared by the Office of the Inspector General recommended $80.8 million in disallowed expenditures by recipients of various Department of Education programs. You also state that auditee payments based on these findings have amounted to less than 10 percent of the total recommended amount, $7.4 million.

Please explain why the total amount finally paid by auditees is so much less than that recommended by the Office of the Inspector General.

Answer: Before specifically addressing your question regarding the amount paid by auditees, we would like to briefly clarify the OIG's audit related statistics for fiscal year 1984. In 1984, the OIG issued and or processed 2,291 audit reports that recommended for disallowance and questioned costs totalling $80.8 million. During that same 12-month period, ED program managers resolved 2,155 audit reports. These audit reports contained $89.4 million in costs recommended for disallowance and costs questioned. Of the $89.4 million resolved, ED program managers sustained and sought recovery of $54.3 million, or 61 percent. In fiscal year 1984, auditees made restitution to ED of $7.4 million in audit related debts. It should be noted that the $7.4 million does not relate solely to the $80.8 million, but instead represents collections made by ED on current and prior period audit reports that had been resolved by ED program managers.

The amount of costs recommended for disallowance and costs questioned in OIG audit reports that are ultimately sustained by ED program managers is relatively high. However, collection of audit related debts does not always keep pace with amounts sustained by program managers. This occurs because auditees are provided with an opportunity to appeal the Department's decisions. In ED, a high percentage of such audit cases are appealed. When an auditee files an appeal with the Department, collection activity is suspended until a final decision is rendered. Often the appeal takes several years to resolve. Also, the auditee frequently works out a repayment plan that provides an opportunity to repay its audit related debt over a period of years.

Question: Also, please comment on the suspicion that the Office of the Inspector General disallows more funds than are warranted by the audit in order to obtain some leverage while negotiating a settlement with the auditee.

The OIG does not recommend disallowance of more funds than are warranted in order to obtain leverage while negotiating a settlement with the auditee. The OIG does not resolve audit reports or negotiate settlements with the auditee. It is the responsibility of ED program managers to resolve the audit report findings and determine whether costs recommended for disallowance or costs questioned in OIG audit reports should be repaid by the auditee. Further, in the conduct of the audit, including reporting on the results of the audit, the OIG is required to comply with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General. In reporting audit results, GAGAS requires that the report present factual data accurately and fairly. In addition, the report must include only information, findings, and conclusions that are adequately supported by sufficient evidence in the auditors' working papers to demonstrate or prove the basis for the matters reported and their correctness and reasonableness.

The OIG also developed policy guidance for the audit staff in determining when it is appropriate to either recommend costs for disallowance (when documentation supports such a recommendation) or question costs (when documentation is not adequate to support the costs of a recommendation to disallow the costs). This policy, which was shared with program managers, has hepled to assure that the OIG continues to accurately and fairly report monetary exceptions.

OIG AUDIT COGNIZANCE

Question: Please explain the "Audit Cognizance" system that you mention in your justifications for the Office of the Inspector General.

Answer: Audit cognizance refers to the responsibilities of the Education Department and the Office of Inspector General in carrying out the requirements of the Single Audit Act of 1984, P.L. 98-502. The Single Audit Act requires that a State or local government that receives Federal financial assistance must have an audit made of its entire operations by an independent non-Federal auditor. The Office of Management and Budget has designated selected Federal Departments cognizant for various State and local governments to assist them in carrying out the requirements of the Single Audit Act. A cognizant agency is responsible for:

- Ensuring that audits are made, and reports are received in a timely manner in accordance with the requirements of OMB Circular A-128.
- Providing technical assistance and liaison to State and local governments and independent auditors.
- Obtaining or making quality control reviews of related audits made by non-Federal audit organizations, and providing the results, when appropriate, to other interested organizations.
- Promptly informing other affected Federal agencies and appropriate Federal law enforcement officials of any reported illegal acts or irregularities. Informing State or local law enforcement and prosecuting authorities of any violation of law within their jurisdictions.
- Coordinating audits made by or for Federal agencies, which are in addition to the audits made pursuant to the Single Audit Act, to ensure that the additional audits build upon previous audits.
- Overseeing resolution of audit findings that affect programs of more than one agency.

The Department was assigned cognizant responsibility for 133 State and local entities.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

GENERAL LOAN COLLECTIONS MATTERS

Question: What about the deficiencies noted in the Inspector General's last report concerning debt collection? Apparently, the regional offices are not providing aggressive and prompt collection action and do not effectively follow up on all claims. Moreover, the Inspector General reports that loans were transferred to private contracts without being sufficiently handled by the regional offices. Tell us what's been done to strengthen the Department's debt collection process since the Inspector General's report.

Answer: Since the Inspector General issued the report "Audit of the Effectiveness of Regional Student Financial Assistance Loan Collection Activities" in July 1984, the Department has taken steps to strengthen its debt collection program.

In September 1984, the Secretary approved a reorganization proposal to consolidate the Department's student aid collection operations. The new organization reports directly to the Assistant Secretary for Postsecondary Education.

The revised organizational structure provides higher visibility for student aid debt collection functions, separates debt collection authority from credit extension responsibilities and facilitates uniform, consistent and standardized Department-wide credit management and debt collection policies and procedures.

COLLECTION OF DEFAULTED LOANS FROM FEDERAL EMPLOYEES

Question: Ms. Combs, your statement indicates that close to $10 million has been collected so far from current and past Federal employees who have defaulted on their student loans. Your collection goal in 1986 is $6 million -- bringing the total recovered to $16 million. That's only a little more than 23 percent of the $68 million owed to the Department. Why haven't you been able to do better?

Answer: During the summer of 1982, the Department of Education, with the assistance of other Federal agencies, conducted a computer match of 10 million Federal employee records comparing them against ED's student loan files. The computer match identified 46,860 current and retired Federal employees who were in default on student loans valued at nearly $68 million.

Of the 46,860 Federal employees identified in the match, 36,277 were delinquent on assigned National Direct Student Loans (NDSL) and Federally Insured Student Loans (FISL). The Department of Education is directly responsible for collecting on these loans and we will continue to offset the salaries of those individuals who are not voluntarily repaying their loans and who are still in the Federal workforce.

The remaining 10,583 Federal employees identified in the match were delinquent on Guaranteed Student Loans (GSL). State Guarantee Agencies are directly responsible for collecting on defaulted GSLs and, therefore, the Department of Education does not have authority to offset the salaries of the Federal employees who are delinquent on these loans.

Also, the initial computer match was conducted in 1982 using 1981 Federal employee data. Since then, a sizeable number of employees have left the Federal Government and we are no longer able to offset their salaries. However, we are planning to conduct a new computer match later this year in order to identify new Federal employees who are delinquent on their student loans.

We are also working with OMB and OPM to revise the Federal application for employment (Standard Form 171) in order to identify prospective new employees who might be delinquent on student loans. We expect to make satisfaction of delinquent loan amounts a condition for employment.

NUMBER OF POLITICAL APPOINTEES

Question: As you know, the Grace Commission reported that the number of political appointees active within the Department had doubled in recent yers. How many political appointees presently are on-board?

Answer: There are 141 political appointees employed at the Department as of April 1, 1985.

Question: How does that compare with last year?

Answer: At the end of March 1984, the Department had 142 political appointees on-board.

Question: For the record, let us have a list of political appointments by category and office as of April 1985.

Answer: The following is a list of political appointees, by category and office, as of April 1, 1985:

DEPARTMENT OF EDUCATION
Political Appointments, By Category and Office, as of April 1, 1985

	Pres./ Senate	Non-Career SES	Limited Term SES	Schedule Cs	Total
Office of the Secretary	1	2	1	13	17
Office of the Under Secretary	0	1	2	22*	25
Office of Intergovernmental and Interagency Affairs	1	0	2	12	15
Office of the Inspector General	1	0	0	0	1
Office of Management	1	2	2	10	15
Office of Planning, Budget and Evaluation	1	0	1	4	6
Office of Legislation and Public Affairs	1	2	0	8	11
Office of the General Counsel	1	0	0	0	1
Office for Civil Rights	1	0	0	4	5
Office of Educational Research and Improvement	1	0	0	6	7
Office of Special Education and Rehabilitative Services	2	1	0	7	10
Office of Bilingual Education and Minority Languages Affairs	0	1	1	2	4
Office of Vocational and Adult Education	1	1	0	4	6
Office of Postsecondary Education	1	2	3	7	14
Office of Elementary and Secondary Education	1	2	0	2	5
TOTALS	14	14	12	101	141

* This total includes 10 Secretary's Regional Representatives.

FUNDS FOR PROGRAM EVALUATION

Question: How much is included under salaries and expenses for program evaluation?

Answer: For FY 1986, $2.5 million is included for program evaluation under salaries and expenses.

Question: How does that compare with the current year?

Answer: That is the same amount as is available in the current year.

STAFFING REDUCTIONS

Question: Page 378 of the justifications reports that the proposed staff reduction in the Office of Educational Research and Improvement by 19 full-time positions can be achieved through improved efficiency and elimination of nonessential activities. What are some examples of this?

Answer: An analysis of organizational structure and full-time position allocations in the Office of Educational Research and Improvement is still in the data collection stage. When the review is complete, areas of possible efficiency improvement, functional realignment or overhead adjustment will be determined. An example of a possible realignment would be centralization of National Institute of Education procurement activities in the Office of Management where all other procurement activity takes place.

Question: Why is the Office of Special Education and Rehabilitative Services projected to have a decreae of three full-time equivalent positions?

Answer: The reduction of three of this office's 441 full-time equivalent positions in FY 1986 will be through management improvements.

Question: Is that office overstaffed at present?

Answer: The office is not currently overstaffed. Rather, more efficient management techniques will eliminate the need for these three positions next year.

OTHER MANAGEMENT IMPROVEMENT INITIATIVES

Question: Are any other management improvement initiatives proposed? If so, what are they?

Answer: Other management improvement initiatives included in the FY 1986 budget proposal are:

- Regional office consolidation
- Reduction of any excess overhead staff
- Headquarters streamlining of overhead staff
- A-76 productivity improvement reviews
- Reduction of office space
- Improvement of automated communication capabilities in the Office of the Inspector General
- Redesign of the student aid delivery system

REDUCTION IN NUMBER OF EMPLOYEES IN GRADES GS-11-15

Question: One management improvement initiative proposed is the reduction in the number of employees in grades 11 through 15. Page 351 of the justifications notes that this reduction would be attempted through job restructuring and revising promotion and career ladder policies. Can you tell us more about this?

Answer: The projected reductions in the number of GS-11-15 positions will be achieved through improved position management by the Department's principal program officers. As positions are vacated as a result of retirements and other voluntary departures, the vacancies from those positions will be redeployed to areas of highest need and at the lowest realistic entry levels instead of at the top of a career ladder. We will also restructure positions as programs reorganize by eliminating organizational layering, increasing supervisory span of control and redistributing workload responsibilities.

CHANGES IN TECHNICAL ASSISTANCE AND MONITORING

Question: Does the Department plan any further decreases in its technical assistance to States and localities?

Answer: There will be no decreases in technical assistance next year.

Question: How about in its monitoring and evaluation of grantees?

Answer: The Department places a high priority on monitoring grantee and contractor performance. There will be no decrease in the number or frequency of these necessary trips in FY 1986.

STUDY OF REGIONAL OFFICES

Question: Ms. Combs, your statement discusses rather briefly the Department's study of its regional structure now underway. How many of the existing 10 regional offices do you plan to close? The Washington Post reported three. Is that correct?

Answer: No decision has been made on the number, if any, of regional offices that will be closed. A study is currently underway of the regional structure, and a decision will be made when the study is completed.

Question: How much do you estimate would be saved by such action?

Answer: We have projected savings in the budget of 47 FTE with an associated salaries and benefits decrease of $1,792,000. However, the final costs and savings depend on the results of our study, and any decision rests with the Secretary.

COSTS OF MAINTAINING CURRENT STAFFING

Question: How much additional budget authority would you need next year if staffing levels were to remain current?

Answer: If the Department's staffing level remained current at 4,791 FTE, we would need an increase of $8,363,000. If the 5-percent pay rate cut is not enacted, we would also need $6,277,000, for a total additional need of $14,540,000.

OCR COMPLIANCE AND ENFORCEMENT ACTIVITIES

Question: Will any compliance or enforcement activities have to be curtailed under the proposed budget request? If so, what are they?

Answer: No. OCR is benefitting from management efficiencies implemented over the past three years. As a result, OCR's ability to carry out its mission will not be adversely affected by the proposed budget request, assuming that complaint receipts remain stable. The proposed budget request will be adequate to carry out our compliance and enforcement activities.

Question: How many compliance reviews were initiated in fiscal year 1984 and how many were completed?

Answer: During FY 1984, OCR initiated 212 compliance reviews and closed 221, including some reviews initiated in previous fiscal years.

Question: How does this compare with last year?

Answer: During FY 1983, OCR initiated 284 compliance reviews and closed 281, including some reviews initiated in previous fiscal years.

OCR ANNUAL REPORTS

Question: Do you now have a system in place for developing and transmitting the Annual Reports to Congress?

Answer: Yes, and it has been in place for three years.

Question: What's the latest report sent to Congress?

Answer: The Office for Civil Rights Fourth Annual Report, covering Fiscal Year 1984, was submitted to the Congress on March 29, 1985.

OIG AUDIT ACTIVITIES

Question: Mr. Thomas, I was delighted to learn that your office was responsible last year for one of the highest total dollar amounts in restitution since the inception of the Office of Inspector General. Based on the data in the justifications, this amounts to nearly $1.8 million returned to the Department as a result of your investigations. On the other hand, however, I notice that the amount recovered under programs audited was only $7.4 million out of a recommended disallowance of $80.8 million. Why can't you do better?

Answer: It should be noted that the $7.4 million does not relate solely to the $80.8 million. The $80.8 million represents the amount of costs in the 2,991 audit reports issued and/or processed by the OIG in FY 1984. During the same 12-month period, Education Department program managers resolved 2,155 audit reports. These audit reports contained $89.4 million in costs recommended for disallowance and costs questioned. Of the $89.4 million resolved, ED program managers sustained and sought recovery of $54.3 million, or 61 percent. The primary reason that some findings are not sustained is that during the resolution process the auditee is able to provide sufficient additional information to support challenged expenditures. The $7.4 million represents collections made by ED on current and prior period audit reports that had been resolved by ED program managers.

The amount of costs recommended for disallowance and questioned in OIG audit reports that are untimately sustained by ED program managers is relatively high. However, collection of audit related debts does not always keep pace with amounts sustained by ED program managers. This occurs because auditees are provided an opportunity to appeal the Department's decisions. In ED, a high percentage of such audit cases are appealed. When an auditee files an appeal with the Department, collection activity is suspended until a final decision is rendered. Often the appeal takes several years to resolve. Also, the auditee frequently works out a repayment plan that provides an opportunity for the auditee to repay its audit related debt over a period of years.

.Although the collection of audit related debts is not the responsibility of the OIG, we will continue to assist Departmental management in improving its audit related debt collection efforts. In addition, the OIG will continue to strive to improve its performance and the quality of audit reports.

AREAS OF GREATEST WORKLOAD FOR THE INSPECTOR GENERAL

Question: What programs are responsible for your largest workload?

Answer: Over the past several years, OIG has devoted the majority of its efforts to the following programs:

- Student Financial Assistance (Pell Grants, College Work Study, National Direct Student Loans, Supplemental Educational Opportunity Grants, and Guaranteed Student Loans),
- Chapter 1, Education Consolidation and Improvement Act,
- Vocational Education,
- Vocational Rehabilitation,
- Migrant Education, and
- Special Education for the Handicapped.

INSPECTOR GENERAL PRIORITIES FOR 1986

Question: What are your priority targets for next year?

Answer: The OIG's priority target areas for next year include:

- Internal accounting and management systems;
- Student financial assistance programs, with particular emphasis on Guarantee Agencies;
- Implementation of the single audit; and
- Contract audits.

SUBCOMMITTEE RECESS

Senator INOUYE. The subcommittee will stand in recess until tomorrow, Wednesday, April 17, at 9:30 a.m. in this room. At that time we will hear testimony from the following in the Department of Education: Education for the handicapped; rehabilitation services and handicapped research; special institutions; bilingual education; and vocational and adult education.

We are recessed.

[Whereupon, at 11:52 a.m., Tuesday, April 16, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, April 17.]

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DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, APRIL 17, 1985

U.S. Senate,
Subcommittee of the Committee on Appropriations,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–226, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, and Proxmire.

DEPARTMENT OF EDUCATION

Departmental Witnesses

STATEMENT OF EILEEN M. GARDNER, POLICY ADVISOR, OFFICE OF THE SECRETARY

ACCOMPANIED BY LAWRENCE A. UZZELL, SPECIAL ASSISTANT TO THE UNDER SECRETARY FOR SPECIAL EDUCATION AND REHABILITATION SERVICES

OPENING STATEMENT

Senator Weicker. Today, we will continue testimony on the administration's fiscal year 1986 budget proposals for the Department of Education.

During the course of yesterday's hearings, I introduced into the record as a basis for questions which I referred to the Secretary, documents that related to two individuals, Eileen Gardner and Lawrence Uzzell, more particularly a document of Mr. Uzzell's which I don't believe is dated, but which is on the letterhead of the Abolish National Institute of Education Project, Lawrence Uzzell, chairman.

I also introduced, insofar as Eileen Gardner is concerned, a draft written on the letterhead of the Heritage Foundation, called "The Federal Role in Education," which was done in the fall of 1983, and then another Backgrounder, which I gather is the published document, dated May 11, 1984, "The Education Price—Washington Shares the Blame."

Then I referred to an article from Education Daily, dated March 6, 1985.

What I offered to do at that hearing was what the Secretary requested, and I acceded to his request, it was a proper request, to allow the individuals who are the authors of these documents to appear for themselves and discuss those documents.

That is the background. You are both here, and you are both welcome to proceed in any way that you care to to give your views in person as to these matters, which I gather you are the authors of.

Mr. UZZELL. Senator, I would request that an article that I wrote for the Wall Street Journal on the subject of the National Institute of Education also be placed in the record, if it hasn't already. I have it with me, if necessary.

Senator Weicker Very well.

Mr. UZZELL. I think judging somebody's views on a subject just from a direct mail piece would be like judging a Senator's views just from his bumper stickers and 30-second TV spots. I would like to be judged on the totality of my record on NIE.

I have no prepared statement, and any questions that you want to ask me, I will just take.

Senator WEICKER. I think that it is the opinion of this Chair that what you do on your own as a private citizen is entirely your affair, and not the affair of this committee. On the other hand, as I understand it, you are now in a position at the Department of Education.

Mr. UZZELL. That is correct.

Senator WEICKER. What is your position?

Mr. UZZELL. I am an assistant to the Under Secretary for Choice. My mission is to explore ways to refine and to promote parental choice in education, especially tuition tax credits and vouchers. When I was exploring with Secretary Bennett, several months ago, the possibility of my coming to work for the Department, I said to him: Given the choice between a more prestigious position where I could work less than full time on Choice, and a less prestigious position where I could work full time on Choice, I would take the latter. I think that parental choice in education is the single-most important cutting issue in education, and I want to work on it full time. I am grateful that the Secretary has met that condition. He is allowing me to work full time on the issue of parental choice.

Senator WEICKER. As I understand it, you are an employee of the Department of Education. Is that right?

Mr. UZZELL. That is correct, sir.

Senator WEICKER. What salary?

Mr. UZZELL. I am a GS-15, sir.

Senator WEICKER. Which is what salary?

Mr. UZZELL. I have not seen my first paycheck yet, at the rate that the Government goes. I don't know when I will. It is over $50,000.

Senator WEICKER. Over $50,000 of taxpayer money as a GS-15 with the Department of Education. Clearly, we would both agree that this brings you within the purview of the functions of this subcommittee. Is that correct?

Mr. UZZELL. Certainly.

Senator WEICKER. Maybe you would like to explain how furthering the ends of the Department of Education is consistent with your statement, I assume there is no dispute over that, is one battle in the war to abolish the Department of Education. Do you still hold the view both as to the abolishing of NIE and the abolishing of the Department of Education?

Mr. UZZELL. Sir, are you asking me as an employee of this administration and a spokesman for Secretary Bennett, or are you asking me about my personal views?

Senator WEICKER. I am asking you about your views.

Mr. UZZELL. My views on those issues, unlike my views on parental choice in education, which is what I was hired to work on, are like my views on the MX missile. I do have views on that views on that subject, but those are my views as a private citizen. Those are not issues that I intend to work on.

Senator WEICKER Do you still feel that both NIE and the Department of Education should be abolished?

Mr. UZZELL. Are you asking me my views as a private citizen?

Senator WEICKER. Yes.

Mr. UZZELL. My personal view is that—I want it to be crystal clear in the record that this is my personal view.

Senator WEICKER. This is your personal view.

Mr. UZZELL. My personal view is not the same as that of my boss. My boss, Secretary Bennett, thinks that there is an important role for the Federal Government to play in educational research, and I, speaking purely personally, think that and continue to think that NIE should be abolished, and I continue to think that what President Carter did in 1979 was a mistake, and those of us, including myself as a House staffer, in 1979, who worked against the creation of the Department, were right.

Senator WEICKER. You do feel that it ought to be abolished.

Mr. UZZELL. I do feel that it ought to be abolished.

Senator WEICKER. That is a matter of your personal view.

Mr. UZZELL. That is a matter of my personal view, that is correct.

There is a certain irony here, Senator, and that is that if I were still in the——

Senator WEICKER. There certainly is.

Mr. UZZELL. Maybe there are several ironies, the one that I am thinking of is that if I were still in the private sector, I would probably be spending some time, not a lot of time, but some time, attacking NIE, speaking and writing against NIE, speaking and writing on the subject of the Federal role in education in general. I am no longer in the private sector, and I am spending all of my time on parental choice. So in a sense, by giving me the job that he has given me, Secretary Bennett has taken one soldier away from the fight against NIE.

Senator WEICKER. And the Department of Education.

Mr. UZZELL. That is correct.

Senator WEICKER. I see. So it is going to cost us $50,000 a shot to take these soldiers away. [General laughter.]

Mr. UZZELL. Sir, I suppose that there are too many opponents of the Department of Education for you to silence them all by that means, but you can count votes, and so can I, and I think that it is no secret to either one of us that on inauguration day, the next time a President is inaugurated, the Department of Education is still going to be here. I don't think that it is a surprise to anybody in this room.

Senator WEICKER. Ms. Gardner, would you like to go ahead and comment on your statements here, both in the draft report and the final report.

Ms. GARDNER. Yes; I have an opening statement, a short one, which I would like to read.

Senator WEICKER. Go ahead.

Ms. GARDNER. I would like to begin by saying that I am not here as a representative of the Department of Education. I am here because I was called here as an independent individual by you, Senator. I say this because I am concerned that my religious convictions and opinions on the education of the handicapped will be viewed as reflecting the views of Secretary Bennett. They do not.

I wrote and spoke from a religious perspective about the education of the handicapped before coming to the Department. However, I will not be covering this issue while at the Department. Rather, I have been asked by Secretary Bennett to address school improvement and effectiveness issues.

While at the Heritage Foundation, for instance, I looked at teacher training, the characteristics of outstanding schools, the role of principals in producing excellent schools, State-by-State education comparisons, character education, the impact of teachers unions on education, and the use of computers in the classroom.

That said, I will be happy to answer any questions you have.

Senator WEICKER. I would like to ask you the same questions that I asked of Mr. Uzzell. Are you presently an employee of the Department of Education?

Ms. GARDNER. Yes; I am.

Senator WEICKER. What level?

Ms. GARDNER. GS-13.

Senator WEICKER. Can you give me your salary?

Ms. GARDNER. I think that it is $36,000.

Senator WEICKER. The views that you expressed in these documents, are they still your views?

Ms. GARDNER. Yes; my personal views, not the views of the Secretary.

Senator WEICKER. They are your personal views as to the handicapped.

Ms. GARDNER. Yes.

Senator WEICKER. Again here, I would have to say that my difficulty as chairman of this subcommittee is that whatever views anybody wants to have as a matter of their individual views, organizational views, or Heritage Foundation views, that is not the purview of this committee. The Department of Education is, and I think that we both agree that you are a member of that Department right now.

Ms. GARDNER. Yes.

Senator WEICKER. I might add also that with respect to your religious views, I have absolutely no interest in your religious views at all. That is again a matter of individual choice, and it is not the business of this committee.

The professional views are very much the business of this committee when it comes to the handicapped.

Ms. GARDNER. Yes.

Senator WEICKER. What you are telling me, again, is that as one of those administering the Department, these are your views as expressed in here. So you don't disagree with anything that has been laid forth.

Ms. GARDNER. I will have no administrative duties in the Department, however, and I won't be dealing with the issue of the handicapped. I have never talked to Secretary Bennett about the issue, to tell you the truth. That wasn't why he asked me to come on.

When I went to interview, I talked to my supervisor, Terry Eastland, and asked him to please not be asked to cover the issue because it is so volatile, and I don't really like a lot of contention. I would rather not deal with it anymore.

Senator WEICKER. Would you care to comment on the Education Daily interview? This is admittedly not your document, but apparently it was a result of the interview of you by Education Daily:

> Eileen Gardner, education fellow at the Heritage Foundation, said yesterday that she has accepted a top advisory post in the Education Department, overseeing a new office of Philosophy and Policy Development. Ms. Gardner said that she will work out of the Education Secretary William Bennett's inner-office, advising him on policy, acting as a think tank in setting the tone of the Department.

Is that a correct statement?

Ms. GARDNER. I would like to make a couple of comments about this interview. It is a mixture of correct quotes and incorrect assumptions, and I would like to point out the incorrect assumptions and the area where I feel I made a mistake.

The first area, of course, was in granting the interview at all, but since I did I would like to point out some fallacies. First of all, I never told Diane Reese that I was overseeing a new Office of Philosophy and Policy Development. She assumed that. Second of all, I did describe the office as it had been described to me. Actually, it was not exactly as it had been described to me, but as I imagined it would be, as a think tank that would set the tone for the Department. Perhaps, the think tank holds, but I think that it was my mistake to say that the office would set the tone for the Department. Secretary Bennett does that.

Then, in paragraph 4, it is a falsity when Diane Reese says, "She expects to have a very small staff of four to five people." I did say that there would be a small staff of four to five people in the office. I did not say that they were going to be under me.

Senator WEICKER. I would like to ask you the same questions, since you have indicated that you still stand by as a matter of your individual opinion, almost the identical questions as those to Mr. Uzzell who stated his opinion of the Federal role in education, and the Department of Education.

This document, of course, is not restricted to the handicapped. In the recommendation, you say, "The proper role for the Federal Government in education is no role."

Ms. GARDNER. Yes; I said that.

Senator WEICKER. Is that still your personal opinion?

Ms. GARDNER. I think that in an ideal world where individuals are responsible for themselves, and where States and localities have full confidence in their ability to deal with education issues, yes, there would be no Federal role in education.

At the present time, however, I do see a very important Federal role in education as we outlined in the Heritage chapter, in "Mandate Two," in which we recommended that the department be reduced to something like a three-room schoolhouse, however, each room, as the chapter pointed out, is a very important room.

Senator WEICKER. So what you are saying in your statement that the "proper role for the Federal Government in education is no role," you have now adjusted your statement, or do you still believe that?

Ms. GARDNER. For the moment, yes, I do think that there is a Federal role in education now.

Senator WEICKER. There certainly is a Federal role in paying your salary, isn't there?

Ms. GARDNER. Yes; of course.

Ideally, you might not need to have a Department of Education if things were going very well across the country in education.

Senator WEICKER. Was this written for the ideal, or was it written for the moment?

Ms. GARDNER. That was definitely written for the ideal. That is a draft.

Senator WEICKER. "It was never intended that the Federal Government would become involved in this domain. Education is not mentioned in the U.S. Constitution."

Ms. GARDNER. That is true.

Senator WEICKER. You have rather strong feelings individually on this subject.

Ms. GARDNER. Ideally, yes.

Senator WEICKER. Do you have any difficulty being in a position at the Department of Education in light of what your personal feelings are?

Ms. GARDNER. No; not at all, because, as I just said, I do feel that there is a Federal role right now.

Senator WEICKER. This is closing the math and science gap, on May 6, 1983. This is another one of your documents?

Ms. GARDNER. Yes.

Senator WEICKER. The statement that "For the past 20 years, Federal mandates have favored the disadvantaged pupils at the expense of those who have the highest potential to contribute positively to society," this really carries forward from your statements in the draft, you believe that.

Ms. GARDNER. I would like to read some more from a statement to cover that more broadly.

In the "Backgrounder," I made what seems to be the obvious case that money spent in one cannot be spent in another. There is a limited amount of money available for education programs. If 10 times as much is spent for education of the handicapped per pupil, there are nine normal children for whom spending will be decreased. Only those who think that the education budget is infinite can argue with that statement. Under the circumstances, it seems reasonable to think about how much the handicapped, and there are many types of handicaps, physical and mental, can profit from spending on education, and about whether we as a society should make super-human efforts to bring every handicapped person up to the average, or even to educate every handicapped person to the limit of his or her potential, assuming that we had some way of knowing what that potential was. We may not like making decisions of that kind. As a former teacher of the handicapped, I know how heartbreaking it is. But as policymakers, we cannot escape the responsibility. We simply have to recognize that there are competing claims on limited resources, and that not all claims can be satisfied.

Senator WEICKER. But, of course, in your statement, you go considerably further than that insofar as your opinion is concerned, where you say: "Laws for the education of the handicapped, then, have selfishly—that is the editorial word that you are using there—selfishly drained resources from the normal school population." Maybe you would like to explain that.

Ms. GARDNER. I stand by that because in my dealings with the handicapped constituency, and a lot of disabilities rights' groups, I have brought up this issue time and time again, not only the issue of money, which is not the major issue in my opinion, but the issue of the mislabeling of children, learning disabled, and what has struck me time and time again is that no one has addressed that problem of mislabeling of normal children. Not one letter, and I must have received 50, from disabilities rights' groups seriously addressed the problem, most of them didn't even mention it, and yet the majority of the Backgrounder that I wrote dealt with the learning disabled problem.

Senator WEICKER. "Laws for the education of the handicapped have selfishly drained resources from the normal school population, and most probably weakened the quality of teaching, and falsely labeled otherwise perfectly normal children. In a misguided effort to aid a few, the many have been injured."

Ms. GARDNER. Yes.

Senator WEICKER. What do you mean by misguided?

Ms. GARDNER. Now we are going to be getting into the religious issue.

Senator WEICKER. No; we are not. I will not listen over this table to anybody's religious views. It is not my business to do that. It is not the business of this Government to do that.

Ms. GARDNER. Well, then I suppose I cannot answer the question.

Senator WEICKER. You say in here, "The order in the universe is composed of different degrees of development. There is a higher, more advanced, and a lower, less advanced." Maybe you can assist me, being the chairman of this subcommittee, as to how I make these determinations of who belongs to the higher and who belongs to the lower. I would like a little assistance in that.

Ms. GARDNER. Again, I think we will have to get into the religious issue. I know I can't discuss this without discussing that.

Senator WEICKER. You know, of course, as best as we can as human beings, and that certainly implies a lot of imperfection, we do not run the Government of the United States based on religious convictions.

Ms. GARDNER. Understood. Understood.

Senator WEICKER. Yet, you are being put in a policy position vis-a-vis education on which, obviously, you hold very strong views, with which I have absolutely no dispute whatsoever. You are entitled to them, and I don't dispute them at all, not at all, not in this context. But clearly, they very definitely relate to education, and the education of our children. Would you say that that is fair?

Mr. EASTLAND. Excuse me, if I might interject.

Senator WEICKER. No; I have asked the question. Who are you?

Mr. EASTLAND. I am Terry Eastland, and I am the supervisor for Ms. Gardner.

Senator WEICKER. I have asked Ms. Gardner a question.

Mr. EASTLAND. I wanted to clear up what her duties were with the Department, and that she does not have responsibility for those programs.

Senator WEICKER. I have to repeat. She is an employee of the Department of Education. There is no way that I can determine what her duties would or would not be, or where she would be called upon to deliver her opinion, or what programs she would have an impact on. There is no way I could go ahead and do that.

She obviously enjoys a high-ranking, responsible, well-paying position. I can only infer that from time to time her thoughts will be expressed or will be sought out to where they might have an impact on the educational policies of this Government. As such, those duties could well shift.

Mr. Uzzell thinks he is going to be doing the voucher system, which I gather is his specialty. I have not gotten a clear definition yet from Ms. Gardner. But I am only interested in their commitments to education, and I think what is coming across very clearly here is that Ms. Gardner has some very strongly held views, religiously inspired, again no argument whatsoever insofar as she is individually concerned, but insofar as they relate to the persons over which we do have responsibility, clearly there is a problem here.

I don't want to get into her religious beliefs, and I won't get into her religious beliefs, but I want to know—I have a statement here that we have a higher order and a lower order. The only people that I know about are Americans. That is the only order I know of. I don't know who is higher and I don't know who is lower. Americans, as I understand it, that is the only test that impacts on this committee or the work of this Government.

Ms. GARDNER. I do not dispute that at all. I feel I do have to say here that it is part of my deeply held religious personal convictions that all men are equal in the eyes of God. However, not all men are manifestly equal. That is where I should stop, I suppose.

Certainly, my religious views have not negatively impacted on any job that I have held before, and I don't think that it is possible to separate one's religious views which impart meaning to one's life, as I am sure that you have religious beliefs that impart meaning to your life, from your daily activities.

I will not be talking about religion, nor writing from a theological perspective. I did that once, and it was a draft, it was not published, and I was not a Government employee.

Senator WEICKER. Again I will repeat, what you do for the Heritage Foundation, and what you do for yourself, again has no bearing on our business. Now you are in our business.

Ms. GARDNER. Yes.

Senator WEICKER. When you make statements as unfair as it may seem on a personal's external circumstances do fit his level of inner spiritual development.

Ms. GARDNER. Yes. Yes.

Senator WEICKER. I received a call just before I came down here which I have not been able to return from Sarah Brady indicating her indignation over what she read in the newspaper this morning. Do you think that Jim Brady's external circumstances fit his level of inner spiritual development?

Ms. GARDNER. That is in no way to assume that a person is inferior or bad. I am saying that what happens to a person in life, the circumstances a person is born into, the race, the handicapping conditions, the sex, whatever——

Senator WEICKER. Those circumstances fit their level of inner spiritual development?

Ms. GARDNER. Those circumstances are there to help the individual grow toward internal inner spiritual perfection, which is what I am saying. Of course, it is the job of every caring human being to do whatever he can to improve the circumstances of anyone in need, but it has been my concern that the underlying philosophy of some of those in the handicapped constituency rests on the belief that there is no universal order, that what has happened to them is due to chance, fate, some cruel fate, some of them seem to feel. The reason I wrote this article was to try to point out that it is not necessarily a cruel fate, that it could be an opportunity to delve deeply into oneself and to grow spiritually, to develop love and compassion and caring. That in no way means that you are not a worthy individual, and it in no way means that you are in better or worse shape than anyone else. A person's external circumstances do not reflect on his inner-worth.

Senator WEICKER. But you say, "A person's external circumstances do fit his level of inner spiritual development."

Ms. GARDNER. They do provide the ability—they do provide opportunities for him to spiritually grow. I am not saying that the spiritual development is high or low. Many amazing people in this world have had serious handicaps of one type or another.

Senator WEICKER. But it is your feeling that too many handicapped people take advantage of their handicap?

Ms. GARDNER. No; not at all. My concern here was that the underlying philosophy, the feelings that fueled the efforts to take care of the handicapped were falsely based.

Senator WEICKER. Why were they falsely based?

Ms. GARDNER. I guess, I can't really say much more than what I have already said, basically that it is not a cruel act of fate, that it could be an opportunity to achieve growth.

Senator WEICKER. It is not fate, it is not an act of chance, it is purposeful.

Ms. GARDNER. Yes; that is from God, and we are getting into religion, aren't we?

Senator WEICKER. Is there anything more that either of you would like to say vis-a-vis the Federal role in education on which, obviously, both of you are somewhat askance about?

I don't want to misinterpret, I think that it is quite clear what both of your positions are, neither do I want to put words in your mouth.

One thing for Mr. Uzzell, a comment, this from a public hearing on the U.S. Department of Education Laboratory and Research Center. This was a public hearing on June 16, 1983. "People like me who believe that real reform requires abolishing every Federal elementary and secondary program, except NCES, giving parents absolute freedom of choice through tuition tax credits and vouchers, and consigning teacher colleges to the academic junk heap along with witchcraft and phrenology——

Mr. UZZELL. Yes, sir, that is what I said at the time.

Senator WEICKER. This philosophy does apply to the job that you do now have.

Mr. UZZELL. Sir, you and I are both graduates of an institution in New Haven, CT, which does not have a school of teacher education, and I think that we can both be proud of that fact.

Senator WEICKER. Why should we be proud of it?

Mr. UZZELL. One of the reasons why——

Senator WEICKER. They don't happen to have one, as indeed there are some other schools that they don't have, but I don't go around saying, "Yale doesn't have a teachers college." I don't understand that.

Mr. UZZELL. Then, you and I disagree on that, Senator. I hope that Yale will never have a teachers college. I think there are too many schools of education in the country. I think that education is overly dominated by the graduates of an ingrown pseudoprofession. The best schools in the country, schools that can afford to hire anybody that they want, don't find that they have to hire graduates of teacher training programs. They hire people who have graduated with training in English literature, in history, or in physics, and who have not taken a series of Mickey Mouse courses in education methodology.

One of my strongest criticisms of the National Institute of Education is that it is an agency that does not have a single scholar in history. It doesn't have a single philosopher. It doesn't have a single man or woman of letters. It is dominated entirely by the social scientists, and I think that this has had a profoundly destructive effect on the quality of thinking about education.

Unfortunately, those social scientists dominate the day-to-day thinking of people who administer the Federal and State education programs. I think that we could do with a lot more humanists in the original Erasmian sense of the word thinking, and that is the reason that I am proud to be working for somebody like Secretary Bennett.

Senator WEICKER. Are you now citing his views or your personal views?

Mr. UZZELL. I am personally proud to be working for him.

Senator WEICKER. You indicate in that statement, "People like me who believe that real reform requires abolishing every Federal elementary and secondary program, except NCES." How about Public Law 94-142?

Mr. UZZELL. Sir, I have published and written a lot on elementary and secondary education programs, and the Department of Education. I have never written or, in my capacity as head of a think tank, commissioned a study on Public Law 94-142. It is not because I don't think the issue is important, it is just one of the most technical ones, and I have never been able to put the resources together for Learn, Inc., the think tank that I used to be president of, to do a specific study of that subject. I am much more comfortable talking about chapter 1, which we have done a study of, or indeed NIE, which I consider myself an expert on. I really don't claim to be an expert on Public Law 94-142.

Senator WEICKER. But you make the statement, "People like me who believe that real reform requires abolishing every Federal elementary and secondary program." Are you telling me that that statement was not based, in other words, on any knowledge?

Mr. UZZELL. I think that all of these programs, there is a mistake, Senator, in the way——

Senator WEICKER. Just answer me the question. Do you want Public Law 94-142 repealed?

Mr. Uzzell. Sir, I think that these programs should be judged in their total effects on the educational climate.

Senator Weicker. You have made the judgment, you have said, "People like me who believe that real reform requires abolishing every Federal elementary and secondary program." Do you believe, therefore, that Public Law 94-142 ought to be abolished?

Mr. Uzzell. Sir, I am trying to answer your question. There has been a great deal of research, a lot of it done by NIE, incidentally, on what makes schools effective. We know a lot——

Senator Weicker. This is the NIE that you want abolished.

Mr. Uzzell. That is right. This is the NIE that I want to abolish.

Senator Weicker. But you are using them as a source.

Mr. Uzzell. That is right. You can't spend $800 million and waste every single penny of it, and the money spent on effective school research was not wasted. I would say that it is the best thing that NIE ever did.

Senator Weicker. Just answer the question. Is your view the same today as it was on June 16, 1983. "People like me who believe that real reform requires abolishing every Federal elementary and secondary program, except NCES." Is that your view today?

Mr. Uzzell. Senator, I am trying to answer the question, if you will bear with me.

For effective schools research, the insights that we now have, both through NIE research and through research in the private sector on what it is that makes a school effective, we have a list of characteristics: strong local leadership, principals who are involved in leading their faculties, as members of a team with shared values, discipline, emphasis on the basic skills. We have learned that effective schools can't be mass produced. They can't be created from the top down. Effective schools can't be run like a State highway system, or like the Pentagon.

Senator Weicker. Nobody is claiming any of this. I want an answer to this question.

Mr. Uzzell. Sir, there is an implicit premise in the array of Federal categorical programs in education, including Public Law 94-142, that effective, just, equitable education can be produced through centralization. The dominant trend over the last 20 years has been centralization in education. Public Law 94-142 has been part of that trend.

You cannot separate, as much as you would like to, you cannot separate the well-being of handicapped children from the fact that SAT scores were going down in every single year from 1963 to 1980, precisely the period during which the proponents of a massive and intrusive Federal role in education enjoyed their greatest dominance. What has happened during those 17 years cannot be said to have been in the best interest of those children, handicapped or otherwise, and I think that we have to look at ways to move toward much more local control, and much more parental choice in education.

Senator Weicker. Parental choice—I will comment on that. In other words, your answer is that your statement made is still what you personally believe.

Mr. UZZELL. My personal view is that the key to education reform in this country is grassroots power, and not more power in Washington. There is far too much power inside the Federal Government, Senator.

Senator WEICKER. But your personal view is that we should abolish every Federal elementary and secondary program, including Public Law 94–142 and everything else, except NCES. Is that correct?

Mr. UZZELL. Yes.

Senator WEICKER. That is your view.

Mr. UZZELL. That is my personal view.

Senator WEICKER. Good, I am glad that we finally got that answer.

Now, let me try to elucidate, just for 1 second. You have emphasized parental involvement; am I correct?

Mr. UZZELL. Parental choice.

Senator WEICKER. You know that no program in the world involves more parental involvement than Public Law 94–142. It is based on parental involvement.

Mr. UZZELL. Sir, I disagree with that. The Guaranteed Student Loan Program involves more parental involvement because you get to choose which college to go to. You don't have to negotiate with local authorities or with any other authorities. Not more than 90 percent of the money that the Federal Government spends on higher education is in the form of aid to the individual, which the individual can then use to go to the college of his or her choice.

All I am saying, in the area of parental choice, is that we should look at putting elementary and secondary education on the same kind of basis. We should trust parents, Senator. In every other social program, be it food stamps, AFDC, Medicaid, or Medicare, the consumer gets to choose what provider to take services from. There is no requirement that you go to a Government-owned or Government-operated hospital in order to benefit from Medicaid or Medicare. There is no requirement that you go to a State university in order to benefit from Federal assistance to higher education. I don't see why elementary and secondary education should be the one area in which we assume that parents are incompetent, and I think that assumption has contributed to a great measure in the decline in quality of education over the last 20 years.

Senator WEICKER. I gather that you have great admiration for your present boss. Is that correct? You have already addressed that.

Mr. UZZELL. Yes.

Senator WEICKER. Can you just explain something to me, since we are talking about the same administration? As I understand it, just before you left NIE, you waged a direct mail campaign, among other things, to urge President Reagan to fire Secretary Bell. Is that correct?

Mr. UZZELL. Before I left NIE?

Senator WEICKER. Yes.

Mr. UZZELL. No, sir; that is not correct. It was after I left NIE.

Senator WEICKER. After you left NIE.

Mr. UZZELL. I am sorry, I thought you said before I left NIE.

Senator WEICKER. After you left NIE.

Mr. UZZELL. After I left NIE, yes, sir; that is correct.

Senator WEICKER. Then, as part of this campaign of eliminating NIE, abolishing the Department of Education, it also included firing Secretary Bell; is that correct?

Mr. UZZELL. That is correct, sir.

Senator WEICKER. In that letter, you state, "The Department of Education bureaucrats are 'completely brainwashing their 8- and 9-year-old children against their parents.'" You use the term "twisted, antifamily message."

Mr. UZZELL. Sir, I will be happy to submit for the record material that I don't have with me now about the NIE program I was referring to. I had a very interesting conversation with one of the NIE career employees who is involved in that program. I said to her, while I was still at NIE, how would you feel if NIE funded a program, the explicit purpose of which was to indoctrinate impressionable 9- and 10-year-old children in the social values, cultural philosophy, lifestyle favored by Phyllis Schlafly. She said, of course, she would be against such a thing, and so would I. But the same sort of people don't seem to see anything wrong with NIE taking sides on some of the most sensitive social and cultural issues that divide our society.

That is another reason why choice is important, Senator. Choice enables people to be friends once again. Monopoly makes enemies of people who could otherwise be friends. Educational monopoly means that either the fundamentalists will ram their values down the throats of the feminists, or the other way around. We have Louisiana and Arkansas passing laws which allow fundamentalists to indoctrinate other people's children in their values. We have the Federal Government subsidizing programs which allow feminists to indoctrinate other people in their values.

Senator, I think in a pluralistic society that should not be, and that is why I think that we need to move toward much more local and family control in education.

Senator WEICKER. I have no further questions.

Do you have any questions, Senator Proxmire?

Senator PROXMIRE. No; I have no further questions.

Senator WEICKER. Thank you very much.

GALLAUDET COLLEGE

STATEMENT OF JERRY C. LEE, PRESIDENT

ACCOMPANIED BY THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

OPENING REMARKS

Senator WEICKER. We have what I am sure is going to be a happy emergency here. Basically, Dr. Lee's wife is in labor, and I think that we had better let Dr. Lee testify and get to the real business at hand, which, believe me, is your wife.

Welcome. As you know, Dr. Lee, I have asked the General Accounting Office to do a study of Gallaudet College and the National Technical Institute for the Deaf. I have always been a strong supporter of these institutions because they provide high-quality programs to college-age hearing-impaired people.

As it has been more than 30 years since congressional oversight on these programs has occurred, I thought that it was important to examine the way in which Federal funds are being spent. It is my hope that the GAO report, which I am releasing today, will stimulate constructive discussion which will result in even stronger, more effective programs for college-age hearing-impaired people. The report provides extensive information about Gallaudet College, the National Technical Institute for the Deaf, the Model Secondary School for the Deaf, and the Kendall Demonstration Elementary School. Together, these schools receive almost $90 million in Federal funds each year. Overall, the report will be useful in preparing for the oversight hearings which I have scheduled for June 4, and I have a few questions today concerning some of the issues raised by the report, but I will reserve most of my questions for the oversight hearing. Today, I will say that I will reserve all of my questions for the oversight hearing, and why don't you give your testimony, and get on to the hospital.

BUDGET REQUEST

Dr. LEE. Thank you, Senator.

I have a brief summary of my statement. I am pleased to present a summary of the fiscal year 1986 budget request for Gallaudet College, including the Model Secondary School for the Deaf, and the Kendall Demonstration Elementary School. The President's 1986 budget requests $58,889,000 for these three programs.

The fiscal year 1986 request of $58,889,000 is entirely for operations, and is an increase of $189,000 over fiscal year 1985. The total increase will be used for expenses related to increased collegiate enrollment of students born during the tragic rubella epidemic of 1964–65; $74,000 will be allocated to utilities; and $115,000 will be allocated to computerized assisted instruction.

Mr. Chairman, that completes my summary.

PREPARED STATEMENT

Senator WEICKER. Thank you. We will insert your prepared statement in the record at this point.

[The statement follows:]

STATEMENT OF JERRY C. LEE

Gallaudet College, with over 120 years of strong support to deaf citizens of the United States and around the world, looks toward a challenging future from the perspective of an exciting past. As a multi-purpose educational institution, Gallaudet College provides academic programs from elementary through Ph.D. levels, public services to tens of thousands of persons each year, and vital research programs aimed at meeting the needs of deaf people. This long tradition continues to be made possible through the shared commitment and dedication of many groups and individuals concerned with enriching the lives of deaf persons and with providing them the opportunities to participate fully as effective citizens.

I am pleased to present to this Committee the fiscal year 1986 budget request for Gallaudet College, including the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES). The President's 1986 budget requests $58,889,000 for these three programs.

The fiscal year 1986 request of $58,889,000 is entirely for operations and is an increase of $189,000 over fiscal year 1985. The total increase will be used for expenses related to increased collegiate enrollment of students born during the tragic rubella epidemic of 1964-65. Additional support is not requested for MSSD or KDES, and these programs will remain at fiscal year 1985 levels.

Gallaudet appreciates the concern with respect to the Federal deficit and understands that this is the chief reason for freezing base funding levels. The College is also concerned about the deficit and actively supports efforts aimed at reducing it. Thus, the College has undertaken an aggressive program to ensure that the investment made by the Federal Government on behalf of deaf people results in a cost effective and positive net return. The College respectfully submits that this serves to control the Federal deficit and at the same time provides educational opportunities that might otherwise be unavailable. Thus, the College will continue to monitor and control the resources that are used to train and educate our students, and in turn, if history continues to be a reliable measure, our students will graduate with skills that render them fully effective and taxpaying citizens.

Through effective resource control, the College expects to absorb $469,000 in increased costs of support services (utilities, food service, and transportation). Also, the fiscal year 1986 request will preclude funding for an across-the-board pay increase for the employees of the College, MSSD, and KDES. Gallaudet nevertheless will continue to maximize productivity through the application of sound human resource management techniques.

The College

The request represents continued support for the increased enrollment resulting from the unprecedented rubella epidemic. For College programs, this request provides $189,000 for built-in increases related to the rubella students. The College will apportion $74,000 for utility rate increases to be applied primarily towards anticipated utility and telephone rate increases at the

Northwest Campus and $115,000 for improving instructional support to rubella students through enhancements in micro-computer based educational technologies. It is projected that an additional $213,000 in utility cost increases will be absorbed through the continuation of the College's highly successful energy management program and through funds internally reallocated from the non-instructional base, as necessary. Gallaudet continues to develop private sector support for computers, building renovation, and the establishment of Gallaudet's executive training institute for the deaf. These efforts to secure alternative and innovative funding sources will ensure a greater impact when combined with Gallaudet's Federal partnership and will continue to offset the extent of Federal participation.

Model Secondary School for the Deaf and Kendall Demonstration Elementary School

Both of these schools receive their funding for programs and facilities totally from the Federal Government. In fiscal year 1986, the request reflects continued support at the current levels for instruction, demonstration, and research at MSSD and KDES. The College projects built-in expense increases for utilities ($96,000) and food service ($110,000) at both schools and transportation at KDES ($50,000). Management efficiencies realized during fiscal year 1985 as well as a continuing program of resource control will allow the programs to absorb these increases.

The fiscal year 1986 requests for MSSD of $12,200,000 and for KDES of $6,690,000 will allow these programs to continue to operate at the fiscal year 1985 levels.

Mr. Chairman, I thank the Committee for this opportunity today and welcome your questions.

BIOGRAPHY OF JERRY C. LEE

POSITION : President, Gallaudet College

BIRTHPLACE AND DATE : Bluefield, Virginia, November 21, 1941

EDUCATION : Virginia Polytechnic Institute & State University, 1977, Ed.D
Virginia Polytechnic Institute & State University, 1975, M.A.
West Virginia Wesleyan College, 1963, B.A.

SUPPLEMENTARY EDUCATION : University of Baltimore, School of Law, 1967-1969
West Virginia University, Graduate School of Industrial Relations, 1963-1964

EXPERIENCE :

PRESENT : President, Gallaudet College
1982-1984 : Vice President for Administration and Business, Gallaudet College

1978-1982 : Assistant Vice President for Business Affairs, Gallaudet College

1971-1977 : Director of General Services (Business/Administration), Gallaudet College

1965-1971 : Vice President for Administration, Commercial Credit Industrial Corporation

1964-1965 : Management Trainee/Industrial Relations Administrator, General Motors Corporation, Fisher Body Division

MILITARY : U.S. Army Reserve, 1966-1972

ASSOCIATION MEMBERSHIPS : American Management Association, American Association of School Administrators, National Association of College and University Business Officers, College and University Personnel Association, Association of School Business Officials, National Association of Public Employer Negotiators and Administrators, American Association of University Professors, Bureau of National Affairs 1983-1984 Personnel Policies Forum

PUBLICATIONS : "Collective Bargaining and Its Fiscal Implications in Higher Education", Proceedings of the Sixty-Ninth Annual Meeting of the Association of Physical Plant Administrators of Universities and Colleges. (June 1982)

PUBLICATIONS : "Employment at Will", College Services Administration, Journal of the National Association of College Auxiliary Services. (October 1983)

"Techniques of Handling Charges of Discrimination", College Services Administration, Journal of the National Association of College Auxiliary Services. (January 1984)

"Techniques of Handling Discrimination Charges", The School Administrator, American Association of School Administrators. (May 1984)

Gallaudet College

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. College programs...........	$35,339	$37,404	$37,404	$37,404
2. College programs - rubella epidemic.........	1,771	2,406	2,406	2,595
3. Model Secondary School for the Deaf (MSSD)..........	12,200	12,200	12,200	12,200
4. Kendall Demonstration Elementary School (KDES).	6,690	6,690	6,690	6,690
Total..........	56,000	58,700	58,700	58,889

REVIEW OF REPORT

Senator Weicker. I have not had a chance myself to personally review the report, but I know the staff has. Have you had a chance to review it?

Dr. Lee. Yes, sir, I had a chance to review the draft.

Senator Weicker. Let's just leave it this way. Let's leave it that we will relate to the report on June 4. If, in the budgetary sense, I have to talk to you before then, I will. I will just ask you to come up and meet with the committee.

Dr. Lee. We will be pleased to do that, Senator.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Weicker. I want to get a real handle on it, and I have not had a chance to review it personally. We have questions which we will submit to you for response for the record, and we will leave the matter of the report until June 4, or before if the occasion demands in the preparation of the budget because God knows where we are going. It seems to me that we are going to have time to do that.

Dr. Lee. Thank you, Senator.

Senator Weicker. Have a good day.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MASTER PLAN

Question: In your budget justifications, you mention that in fiscal year 1985 you completed a master plan for Gallaudet College that would be implemented beginning in fiscal year 1986. Why did you undertake this planning process?

Answer: Gallaudet's last master planning exercise was more than a decade ago. With the rubella bulge moving through the undergraduate programs and with the general climate of assessing education, Gallaudet feels it is an appropriate time to evaluate its programs, who they serve, and what the course of the next few years should be.

Question: What does the plan propose?

Answer: The planning process has not been completed but from an overview perspective, the plan provides the strategic focus for the College. It depicts the goals of the institution and the operational theme that it will emphasize. It defines the potential constituencies that can avail themselves of Gallaudet's programs.

Question: What do you expect to achieve with its implementation?

Answer: The College expects to chart a road map for its future that ultimately results in a variety of mission-related programs that offer a range of needed services to deaf and hearing-impaired individuals. This road map will provide the operational guidance that ensures a cost-effective approach to new and existing constituencies in accordance with the multi-purpose mission of the College.

Question: The legislation establishing the Model Secondary School for the Deaf (MSSD) and the Kendall Demonstration Elementary School (KDES) states that those schools should be such "models of excellence" that their programs will be copied by other schools. The development and demonstration of such "model programs" is, in fact, the very essence of those schools' existence. As you know, I am very committed to providing the best possible education for deaf children and am supportive of the need to develop better educational programs. However, I'm concerned about whether the current approach with MSSD and KDES is the best way. My chief concern is that MSSD and KDES are totally segregated schools even though legal statute and prevailing practice have shifted dramatically toward more integrated programs. Only 1/4 of school age deaf children still attend segregated residential schools -- half as many as in 1970; and the trend towards more deaf children in integrated public school programs is continuing. Therefore, programs developed at MSSD and KDES are often not very relevant for most deaf children. What do you think we should be doing over the next 5-7 years to strengthen these programs, refocus them, or otherwise better meet the needs of the majority of programs serving deaf children and youth?

Answer: There is strong evidence to suggest that the programs developed at MSSD and KDES are very relevant for most deaf children. In fact, the majority of curriculum products and instructional materials disseminated by both schools are distributed by teachers and other professionals working in integrated public school programs. Well over half of the subscriptions to the two Pre-College magazines-- one for students and one for teachers-- are sent to teachers and students in public settings. Since 1981, MSSD and KDES have approached the development of materials and methods in a manner which would make them applicable and appropriate in a variety of educational settings: mainstream classes, classes for the deaf in public schools and special schools for the deaf. The fact that more products are distributed to public school personnel is one indication of the appeal and applicability of our programs and products. The purpose of MSSD and KDES is not to replicate its organizational structure or placement patterns, but to provide products and services which can be universally applied.

It is a misconception to assume that the effective educational techniques at MSSD and KDES are not applicable to a variety of learning and teaching environments. They definitely are and have already been used and applied in traditional and non-traditional settings. Actions to be taken over the next 5-7 years to strengthen these programs, refocus them, or otherwise better meet the needs of the majority of programs serving deaf children and youth are:

- Initiate and realize greater number of affiliations between MSSD/KDES and programs in public school systems.
- Increase the level of service to all programs in the country through:
  1) proven successful curricular products, and
  2) in-service training.
- Develop a Clearinghouse on Instructional Products and Services which will support searches for products and services requested by any program in the field.
- Increase frequency of extra-curricular interaction between KDES/MSSD students through after-school programming, recreational and athletic contacts, drama, and the arts.
- Maintain current student enrollment in both programs with diverse populations now present, to allow for research and development of programs which will address the needs of most hearing-impaired students in public, private and residential programs.

ADMISSIONS

Question: You state in your budget justifications that no qualified students are denied admission to the Model Secondary

School for the Deaf, and in fiscal year 1985 your enrollments were about 9 percent below capacity. What are the qualifications for admission to the Model Secondary School for the Deaf?

Answer: The qualifications are as follows:

1. Must reside in the U.S. with priority given to students from the Primary Service Area (D.C., West Virginia, Delaware, Pennsylvania, Virginia, Maryland.)
2. Must have a hearing loss of 70 db or greater in the better ear at 500, 1,000, and 2,000 hertz.
3. Must complete the eighth grade or its equivalent.
4. Must demonstrate a reading level of 3.0 or higher on the SAT-HI or other acceptable standardized tests.
5. Must be between 14 and 19 years of age.

Question: Have you considered changing the admissions policy to allow for enrollments at maximum capacity?

Answer: The 1969 agreement between the Department of Health, Education and Welfare and Gallaudet College to operate the School identified criteria to be used in making admission decisions. The criteria were designed to establish a representative student body that would serve as a research group to develop effective education techniques. Any consideration of changes in admissions requirements during this past year could not have begun early enough to impact upon the enrollment in the 1985 academic year. Similarly, enrollment for the 1986 academic year is well underway and based upon our current level of applications, it appears that the 1985 decline was in response to factors that were temporary in nature and not ones requiring consideration of major changes to the established admission criteria.

Question: What are your standards for admission to Gallaudet College?

Answer: Applicants to the undergraduate program are assessed on selected subtests of the College Board's Descriptive Tests of Mathematics and Language Skills. This test is a national test. In addition, all applicants must provide a writing sample which is evaluated by the College's English department. On the basis of these tests plus references and recommendations, applicants are admitted to the preparatory or freshmen classes, or rejected.

Question: What percent of applicants are admitted?

Answer: In 1984, Gallaudet accepted 63 percent of its applicants.

Question: How does this compare to other colleges and universities in the U.S.?

Answer: This acceptance rate places Gallaudet in the top 8 percent of colleges in terms of selectivity.

Question: Have you altered your admissions policies in any way as a result of the rubella-bulge?

Answer: Gallaudet has not altered its admissions policies as a result of the rubella bulge. Most successful applicants require intensive work in English and mathematics.

Question: If so, do you anticipate any further changes once the rubella population declines?

Answer: The College continually monitors its admissions policies. However, any future changes in admission standards, if enacted, will in no way be predicated on the rubella population.

Question: 221 of the students at Gallaudet during this year are not U.S. citizens. I understand that foreign students pay 50 percent more tuition ($3,284 vs. $2,189), but if we use the figures in the GAO report released today, the Federal Government subsidizes each of these students for $16,738. (This figure does not include the per student costs for research or public service since it is assumed these costs would be incurred at the same level regardless of how many students are enrolled at Gallaudet.) In other words, we are spending more than $3.5 million to subsidize the education of foreign students even though there are hundreds of hearing-impaired postsecondary aged U.S. citizens who could benefit from these resources. What benefits do we derive from this arrangement?

Answer: Several things should be highlighted in regard to this question. First, it should be underscored that no qualified American student has been or will be denied admission to Gallaudet because of a lack of space taken by an international student. Second, Gallaudet's policy limits internationl enrollment as the rubella bulge passes through the undergraduate programs. Third, international students have been attending Gallaudet since the late 1800s, much as they do at other American Colleges and universities (many in programs that also receive Federal grant monies)--because Gallaudet has represented the only institution where they can become educated in the fields they choose to pursue.

The benefits of this arrangement are several-fold. For Gallaudet, a cross-culture mix to the student body guarantees a variety of ideas, opinions and perspectives--the heart of a collegiate environment. Second, many of Gallaudet's international graduates go on to develop programs in other countries that lead to a sharing of ideas on the perspective of educating the deaf. Finally, because fluency in English is required of the international students, their infusion into the classroom helps to encourage other students to pursue the acquisition of effective English skills.

For the Federal Government, it is both cost effective and appropriate. Gallaudet, as a major and sometimes only resource, has cost-effectively assisted in the development of programs in foreign countries. This has come at a much lower expense than direct aid because many foreign students trained at Gallaudet go on to train their countrymen.

Question: Do you believe Gallaudet should continue to educate foreign students?

Answer: It is Gallaudet's belief that it stands as the primary international resource in deafness-related areas. In some fields, it is the sole resource. Central to the mission of Gallaudet is to improve the quality of life for all deaf persons, and within reason, international students are a part of its appropriate constituencies. The net result is a cost-effective approach to international services without a diminution of services to the American hearing-impaired population.

PROGRAM COST

Question: It has been explained to us that the reason the administration's funding request for Gallaudet is where it is - an increase of only $189,000 over last year - is in order "to help control the Federal deficit." Of this $189,000, $74,000 is to be used to pay the utility and telephone bills...The rest will buy some computers. Since it appears you will be adding about 100 to the student body, in what areas will you be taking decreases if you plan to operate at basically the same funding level as last year?

Answer: The College expects that it will use several approaches to handle the additional students at the same funding level. First, faculty workloads will continue to increase as they have over the past two years. Second, the College will depend on other human resources and technology to assist in the delivery of support services. For example, more staff members are assisting in the academic advising area, and computer-assisted instruction is aiding in the tutorial area. Third, an on-going program of resource control and administrative effectiveness is expected to continue to carry the non-instructional budget dollar farther in fiscal year 1986. Through these approaches the College will maintain its academic and support programs at a level of high quality.

Question: Won't the faculty get raises, even based on merit?

Answer: There is no money in the budget request to fund an across-the-board salary increase. To keep up with other colleges and universities in fiscal year 1986, the College would have to grant an increase anticipated to be in the range of 6.5 percent to 7.5 percent. According to a recent Washington Post poll, Gallaudet is ranked seventh out of eight local comprehensive institutions in compensation for faculty. Any merit increases will have to be funded out of the base budget.

Question: Can you describe for the Subcommittee any cost saving or cost-effective measures you have implemented since becoming President of Gallaudet?

Answer: Over the last several years, Gallaudet has embarked on a course to ensure the effectiveness of its human, facilities, equipment and financial resources. In the human resource area, Gallaudet has:

- moved from a two-shift 120 person custodial crew to a one-shift 60 person crew;
- implemented a centralized position control process that has helped to control staffing levels; and
- eliminated duplicative administrative functions particularly in the Pre-College area.

In the facilities and equipment area, Gallaudet has:

- continued its energy conservation program;
- installed an automated procurement process for office supplies that is linked directly to the vendors; and
- centralized facilities management and developed an equipment replacement process that funds itself from user fees and cost savings.

In the fiscal resources area, Gallaudet has:

- moved from a no-growth investment company to a high-yielding investment portfolio;
- shifted from an incrementalist budgeting posture to a reallocation and a capital budgetary posture; and
- developed private fund raising in the areas of computer equipment and building renovation.

Question: Your budget justifications note that a total of $469,000 in program decreases for college operations, the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School will be required under the fiscal year 1986 budget request. Where will these reductions be achieved?

Answer: The College projects built-in cost increases in utilities, transportation and food service costs that the fiscal year 1986 request does not cover. These are distributed to the three programs as follows:

o College -	Projected built-in for electricity, gas, oil, and telephones	$213,000
o MSSD -	Projected built-in for utilities, and food service	$148,000
o KDES -	Projected built-in for utilities, food service and transportation	$108,000

The College will use three separate approaches to absorb or reduce these projected cost increases. First, it will continue to achieve efficiencies of an administrative nature through the use of technology, centralized services and human resource controls. Second, it will achieve savings through the College's highly successful energy management program and through a reduction in the use of consulting and service contracts. Finally, the College will continue to ensure the appropriate staff workloads necessary to carry out vital programs.

Question: In 1965, the Babbidge Report concluded that far more deaf students were enrolled at Gallaudet than at all other colleges combined. That situation has changed dramatically in the last 20 years. There are now more than 75 accredited programs that provide a formal organized program to 15 or more deaf students. These other programs enrolled 41 percent more students than NTID and Gallaudet combineo and granted correspondingly more degrees in 1984.

Many of these programs are just as successful in terms of job placement and number of degrees granted in spite of the fact that their students may function at a lower level academically at the time they enroll. Furthermore, this is being done at a fraction of the per student cost. For example, at California State University at Northridge, the Federal contribution is only about $3,000 per student and the total cost is only about $9,000 per student. Why are these programs so successful with so much less money?

Answer: "Success" of higher education programs must consider more than simply whether a degree is awarded and whether the graduate or program completer becomes subsequently employed. Completion of a one-year certificate program and finding related employment does not have the same outcome as completion of a bachelor's degree, followed by graduate or professional education, followed by a professional or managerial position. Some deaf students want, need, and are qualified for the first of these outcome examples; others want, need, and are qualified for the second.

Gallaudet College (and NTID and a very few of the other major programs) have developed and publicized information on the placement and success of their alumni; their successes are thus publicly documented and well known. Comparable data are not available from the great majority of the other programs. Therefore, it is not possible to support the assertion that "these programs (are) so successful" as Gallaudet has supported its assertion to that effect.

Further, it is not an accurate portrayal of the national picture of postsecondary education for deaf students to say that many programs serve many students, and that Gallaudet and NTID are now simply two among many others. In fact:

--Gallaudet is the largest single provider of four-year bachelor degree programs for deaf students;

--NTID is the largest single provider of associate degrees and certificate/diploma programs; and

--The large number of other programs are mostly small (serving

20 deaf students or less) and mostly provide certificate/diploma programs and, to a lesser extent, associate degrees.

Students are not identical in their characteristics, needs, and aspirations, and programs are not equivalent in their offerings. Indeed, Gallaudet regularly sees an increasing segment of its new enrollees as transfers from these other programs. The key is to provide deaf students with an appropriate range of choices and support the proper match of students with programs.

With respect to cost, clearly Gallaudet and NTID have a higher cost per student. This is more a function of (1) the comprehensive nature of these two programs vis-a-vis the other, smaller programs and (2) the availability of necessary support services for the student body.

Gallaudet is a multi-purpose institution, established under a land grant philosophy, with the expressed mission of offering high quality instruction, research and service to the deaf community. It has been an investment that not only serves an on-campus enrollment of 2,000 students, but tens of thousands of public service participants each year and over two million recipients of deafness-related research. The cost is high -- and Gallaudet has demonstrated a commitment to stabilize and reduce the cost — but the scope of services provided by Gallaudet clearly goes beyond that of a program operated out of temporary facilities.

Question: Would it be more cost effective to direct some of the Gallaudet resources that were necessary to meet the "rubella bulge" into 2-4 additional regional programs instead of retaining the money at Gallaudet?

Answer: What differentiates Gallaudet College from the over 100 other programs serving the deaf is the degree and availability of instructional academic and student support services. Indeed, along with a vital and highly professional faculty, this is what constitutes the quality of Gallaudet's programs.

To redistribute Gallaudet's funds to other programs would raise not only a question of cost-effectiveness, but of program quality as well. A significant investment has been made at Gallaudet to provide effective services which enhance the educational environment. Gallaudet's track record with its graduates speaks to the positive net return on this investment.

A good example is the College's investment in tutorial services for its student body. Along with a cadre of tutorial specialists who will provide over 6,000 hours of tutoring in fiscal year 1985, the College has developed technological assistance through its computer-assisted instruction routines and voluntary aid from its staff and faculty resources. This has helped to accommodate a rising student population. To redistribute the funds that support this service and other similar services runs the risk of (1) coming in more expensive the second time around (e.g., through start-up costs and equipment purchases) and (2) reducing the quality of Gallaudet while only marginally improving the other programs. Thus, it not only does not appear cost-effective, it may also endanger the effective education of deaf children.

Question: For both the Model Secondary School for the Deaf and the Kendall Demonstration Elementary School no increases in budget authority are anticipated through fiscal year 1990. By this time, the budget authority would be nearly 20 percent below the fiscal year 1985 estimated current services level. What choices would have to be made for these programs for their operation at these reduced funding levels?

Answer: Gallaudet's goal is to continue implementation of recent cost savings efforts that do not necessitate any decreases in enrollment or the number of instructional days, while maintaining the quality of instructional programs as well as the research and demonstration activities. These efforts have gone a long way over the last several years to keep the programs viable during periods of slight or no increases. Gallaudet could continue to implement further efforts such as the following:

- Increasing the student to faculty ratio.
- Reducing the non-instructional base.
- Additional reductions in administrative staff.
- Placing increased emphasis on foundational courses.
- Increasing the cost of materials disseminated in order to more fully cover total costs.

However, keeping the budget authority at a stable level throughout the rest of the decade presumes that such savings would be large enough to fund built-in increases in the areas of salary, utilities, food and transportation costs. Although unknown, it is doubtful, that several years of level funding would permit these programs to maintain their current level of quality and service.

Question: What constitutes a "rubella-related" cost?

Answer: The Department of Education and the College have identified the portion of the base budget which was appropriated to handle the cost associated with admitting a larger rubella-inflated enrollment level. Thus, costs are distributed to (a) the base enrollment levels; e.g., the pre-rubella era enrollment and (b) the rubella cohort.

Question: You note in your budget justification that ..."$115,000 will be used to enhance educational technology support to Rubella students." What makes a Rubella student different from a regular student?

Answer: Rubella students have all of the severe educational problems which we see in our regular deaf students. Although there is evidence that suggests that rubella students need stronger personal support services and that there is a higher incidence of multihandicapping conditions, one cannot generally distinguish between rubella and nonrubella deafened students.

Question: What is the "educational technical support" to which you refer?

Answer: Computer based instruction has been undergoing extensive study at Gallaudet. Both IBM and DEC have donated or are planning to donate equipment on which instructional software, developed at Gallaudet, will be utilized. Computer-assisted instruction holds out strong promise for enhancing the education of deaf children.

Question: This committee has also strongly supported the Kendall Elementary School, providing learning activities and instruction for children from infancy through age 15. The budget proposal for 1986 for the Elementary School would freeze funding at last year's appropriated level -- $6.69 million -- while enrolling the same number of students as last year; retaining the same number of faculty; and adhering to the same number of school days. At the same time, Kendall would have to absorb cost increases for utilities, telephones, food service and transportation. How do you maintain the same level and quality of activities as last year while absorbing additional costs -- all at the same amount of money as last year? Doesn't something have to give?

Answer: The budget proposal for 1986 precludes funding for an across-the-board increase for employees of the College, MSSD, and KDES. This will be the primary factor that impacts on program quality. The postponement of one year's adjustment to the compensation program will most likely erode our competitive position with respect to the labor markets, and thus, KDES runs the risk of losing some of its highly qualified faculty and not being able to attract new faculty members. KDES will absorb cost increases for utilities, food service, and transportation through the reallocation of base funds realized by management efficiencies and by a continuing program of resource control. For example, at the beginning of fiscal year 1985, KDES reduced its administrative overhead which will continue to permit the programs to be run at their current levels.

COST PER STUDENT

Question: According to the GAO Report, Gallaudet's cost per student is more than double that of the 19 most expensive institutions in the country of comparable size and scope, and almost 5 times as much as public universities of comparable size and scope. Although I understand Gallaudet's needs for smaller class sizes, special support services, and additional support for research and dissemination -- the per student expense at Gallaudet is surprising. What are you doing to reduce the per student cost so that more students can be served, future increases can be reduced, or the program can be expanded without additional resources?

Answer: Gallaudet is employing a multi-tiered approach towards its high cost per student. Clearly, the easiest way to decrease the cost is to increase the number of students served, to decrease the cost base, or both. Currently Gallaudet is still serving the rubella bulge that will bring a projected 100 additional students next fall. At the same time, the College is reviewing its highest cost factor -- the payroll -- to achieve a higher student/faculty ratio and an appropriate staffing level. And, like any vital educational institution, the College is embarking on new or expanded programs using a reallocation process within existing resources. Through these measures and through a continuing program to ensure cost-effectiveness, the College should reduce, or at the very least, stabilize its cost per student.

Question: What do you propose to do with the savings?

Answer: The College is using a reallocation process within its existing resources to ensure that the deaf community it serves has a variety of educational opportunities to pursue.

Question: Should we devote more funds to regional programs, expand your student population, expand your services?

Answer: The College's track record offers clear evidence of success. Two-thirds of the deaf Americans who hold bachelor's degrees received them from Gallaudet. Another 42 percent of these graduates go on to receive advanced degrees (the national norm is 18 percent.) They exhibit an unemployment rate that is well below the national average. The median family income for Gallaudet graduates is $30,000. Gallaudet will devote its energies to ensuring that the programs it offers provide deaf Americans with the skills they need to become successful and effective citizens.

PRIVATE SECTOR SUPPORT

Question: During fiscal year 1985, how successful have you been in raising funds for Gallaudet College from private sources?

Answer: For fiscal year 1985 to date, we have received $1,171,328 in private grants, contributions, and donations. Additionally, equipment grants of $745,000 are expected to be approved in early May.

Question: Do you have an annual fund-raising campaign with a goal for total contributions?

Answer: Gallaudet conducts an annual fund-raising campaign with alumni and with the business community. Our goal for fiscal year 1985 is to exceed the prior year's contributions by 15 to 25 percent. Based on this year's response to date, we should exceed this goal by a substantial amount.

Question: What are the private contributions used for?

Answer: Private contributions are received both for designated (or restricted) purposes and for general (or unrestricted) purposes. Restricted contributions result both from solicitations for specific purposes and from donor-imposed conditions. Uses of restricted funds include scholarships, acquisition of computer equipment, renovations of facilities and support of special academic programs. Unrestricted contributions are used both for general support and for special projects that are not otherwise funded.

Question: In connection with serving more people with the available resources, I am pleased to learn that Gallaudet has devoted increased attention to soliciting private contributions. How much outside money did you raise last year?

Answer: During fiscal year 1984, the College received $1,100,997 in private grants, contributions and donations, of which $110,000 was in equipment donations.

Question: How does that compare with previous years?

Answer: During fiscal years 1983 and 1982, the College received $965,397 and $914,843, respectively, in private grants, contributions and donations.

RENOVATIONS

Question: We understand that the 115 year old Victorian residence is now undergoing extensive restoration. It is estimated to cost $1.5 million. I won't ask you about the jacuzzi or the sauna which apparently have been installed for your use, nor will I ask about the exercise room, furniture, wallpaper, drapes, or Oriental carpets.

However, I am hopeful that you can assure this Committee that none of these things were purchased with Federal funds. What funds were used to purchase these items?

Answer: Non-Federal funds were used to renovate and restore the Edward Miner Gallaudet Residence.

Question: Although I'm pleased to see fund raising activities, I'm somewhat perplexed by an article I read last week which stated that $1 million of those funds are being used for what sounded like a somewhat lavish refurbishing of the President's home -- complete with sauna, jacuzzi, Oriental carpets, and $58,000 worth of Victorian-style furniture.

Even though the refurbishing was done with non-Federal money, couldn't that money have been used for more essential educational programs and reduced the need for such large Federal expenditures without cutting back on the current program?

Answer: The Federal Government was quite supportive of the College during a time when Gallaudet was increasing its physical plant; the elementary and secondary school buildings, the new library, the new field house and several dormitories. However, Gallaudet recognized that it would need to seek other funding methods for its renovation needs as Federal construction dollars became tighter. Thus, in 1981, Gallaudet began a deferred maintenance program to ensure that the College's historic district - with many buildings over 100 years old - remained safe and programatically viable. Combined with other private support, this funding mechanism has helped to, and will help to, renovate not only the President's home, but the other vital buildings as well. This has not reduced the quality of the programs; in fact, it has enhanced the programs. And, the practice has been accomplished without a significant reliance on Federal funding.

The history of the President's home renovation is entered into the record through the following letter from the Board of Trustees to the Gallaudet College community:

(The information follows:)

March 14, 1985

TO THE GALLAUDET COLLEGE COMMUNITY:

In the fourteen months which have elapsed since Dr. Jerry Lee began directing the affairs of Gallaudet College, many significant changes have taken place. The Board of Trustees wishes to share with you our observations as we review these events.

The most obvious physical change is the renovation and refurbishing of House One. In October 1981, the Board's Committee on Resources recommended and the full Board unanimously endorsed a policy of preventive maintenance of all buildings on campus. Numbered among these was, of course, House One which was sorely in need of extensive repair. At Dr. Merrill's request, the work was postponed until the Merrills vacated the house in August 1983. However, we immediately began to set aside non-federal money to finance this project. In the fall of 1983, Dr. and Mrs. Lloyd Johns began working on plans for the House with the architect; the Chairman of the Board joined this effort in mid-winter. By the time that Dr. Lee became the Interim President in late January 1984, the architectural drawings were completed and construction was well underway. In mid-summer, the Board retained the services of the interior design firm that previously developed the design concept for Kendall School.

The Board's approach to this project was designed to accomplish the following: 1) to restore the Edward Miner Gallaudet Residence in order to preserve the heritage of this home and the tradition it represents to deaf people all over the world; 2) to return this valuable nineteenth century mansion, which is listed with the National Historic Trust, to its former dignity and beauty; 3) to provide the College a building appropriate to house visitors and to entertain the Gallaudet Community as well as its friends and supporters; and 4) to provide a comfortable, attractive, and modern third floor apartment for Dr. and Mrs. Jerry Lee. In the judgement of the Board of Trustees we have fulfilled our task. We are extremely pleased with the appearance of House One and view it, not only as a tribute to the man who established this fine institution, but a symbol of Gallaudet's commitment to excellence.

The Board was reassured last evening when during a dinner party honoring Dr. and Mrs. Merrill, Dr. Merrill remarked, "It was the responsibility of the Board of Trustees to restore and refurbish this home and I am proud of the work that was done."

We all know that Gallaudet is currently being closely scrutinized by the "Powers that Be" on Capitol Hill. Dr. Lee will soon be responding to the GAO Audit and the Congressional Oversight Committee, both of which have been in preparation for over seven months. Additionally, he will make his annual appearance at the congressional appropriation hearings. In the judgement of the Board, "the handwriting is on the wall" and the message is loud and clear: Serve more with less. The question, of course, is how? In our view, we see no wide range of options available--Gallaudet College must serve more deaf and hearing impaired persons.

We are living in the "real world" of increased interest in cost effectiveness, increased productivity, and budgetary restraint--And we must recognize it and respond. To refuse to do so, in our judgement, will jeopardize the future security of this institution.

These are difficult times. Never before has this College received so much scrutiny. The FY86 operating budget was increased by $189,000 which is the smallest increase the College has received since 1962.

This environment does not increase the comfort level of the campus. However, in the judgement of this Board our primary, overriding responsibility, and that of Dr. Lee, is to fulfill the mission of Gallaudet College-that includes keeping it financially healthy and secure. And that we intend to do.

We heartily and unequivocally support--and will continue to support--Dr. Lee's response to the needs of this College and the concerns of Congress. We are working in concert to guarantee that Gallaudet College will remain alive, healthy, and vital for many, many years.

The Board of Trustees recognizes that a major strength of this institution is the commitment and dedication of you, the Gallaudet Community. It is through your united efforts that the College will achieve its goals and be able to carry out its programs in accordance with Gallaudet's historic tradition and the support and encouragement of the Federal Government.

The Board reaffirms its commitment to you and looks forward to working together as we face our challenging future.

Cordially,

Jane Bassett Spilman, Chairman
James J. Hicks, Vice Chairman
Frank B. Sullivan, Secretary
Philip M. Sprinkle, Treasurer
Henry Ashforth
Philip W. Bravin
Oliver T. Carr
Harvey Corson
Charles Haskell
Alexander E. Patterson, Jr.
Gustave H. Rathe, Jr.
Vincent Reed
Robert Sanderson
Eloise Thornberry

MODEL SECONDARY SCHOOL FOR THE DEAF

Question: What are the postsecondary pursuits of graduates of the Model Secondary School for the Deaf?

Answer: The most recent comprehensive survey of MSSD graduates indicated 70 percent were attending or had attended a postsecondary educational institution following graduation. The actual institutions attended were:

- 46.6 percent attended Gallaudet
- 12.3 percent attended NTID
- 6.9 percent attended the Technical Vocational Institute (St. Paul)
- 2.7 percent attended the California State University at Northridge

Records indicate in more recent years that the percentage of those attending postsecondary institutions is rising although the break out by institution is not available. Eighty-four percent of the graduating class of 1984 has gone on to postsecondary pursuits.

Question: How many of these graduates pursue liberal arts education?

Answer: In 1979, the school conducted a comprehensive survey of its graduates; half of the graduates in the previous eight years had gone on to a liberal arts program.

Question: How does this compare to other high school graduates?

Answer: MSSD graduates appear to matriculate into postsecondary liberal arts programs to a greater extent than the norm.

Question: Please describe the innovation, development and dissemination activities carried on at the Model Secondary School for the Deaf?

Answer: The laws that established the MSSD specified outreach as an important goal. Responding to this mandate, a centrally administered outreach unit was established in 1978 to facilitate and expand services to the profession of deaf education. Composed of personnel and resources from both MSSD and KDES, the unit provides a mechanism for formal systematic outreach activities. It also provides an organized channel for collecting information on the needs and interests of professionals in programs for deaf students nationwide.

MSSD and KDES outreach activities are generally grouped into the following three areas:

Instructional and Professional Resources

- Over 22,000 instructional materials were distributed last year.

Periodical Publications

- Perspectives (for teachers of the hearing-impaired) which serves over 3,000 teachers in deafness related professions.

- World Around You (a magazine for deaf adolescents) serving over 8,500 hearing-impaired students.

Training and Technical Assistance

- Services are provided in such areas as parent education; curriculum planning, revision, and development; team building skills; management/supervisory training and development; and career education to professionals. Last year over 11,000 people were served.

Question: How many deaf students across the nation receive materials developed through the Model School?

Answer: Since 1980 approximately 67,000 students have been influenced by personnel and products in a variety of ways. First, during fiscal year 1984 more than 22,000 curricular products developed by MSSD and KDES were requested and distributed to professionals in the area of education of deaf children. Pre-College professionals have developed and presented training programs and workshops to more than 11,600 other educators during the last few years. Further, MSSD and KDES hosted more than 1,000 visitors during the last year who observed classes and benefited from direct contact with teachers. And, during fiscal year 1984, MSSD was a practicum site for 25 professionals representing nine graduate programs. Finally, Pre-College is providing leadership to the field in the area of computers through the Computer Managed Educational System (CMES), a network that helps disseminate information regarding instructional software.

Question: As you know, this Committee has expressed its support for the continuation, in a quality manner, of the Model Secondary School for the Deaf (MSSD). We have managed to prevent the proposed reduction in the number of days of instruction as well as the number of students in attendance.

Now we understand that MSSD will be frozen at last year's appropriated level and also asked to absorb increases in the cost of food and utilities "to help control the federal deficit."

We have been advised that we are now "off the hook" because of an enrollment decrease resulting from the nation-wide decline in secondary-school age students and the decrease in deaf students after the rubella bulge. Yet, apparently, you have the capacity to enroll far more students.

What, in your opinion, accounts for the decline in enrollment to well below your capacity?

Answer: A variety of factors combined to impact MSSD enrollment levels adversely in fiscal year 1985. First, MSSD graduated its largest graduating class in June of 1984 which required a large entering class to remain at the fiscal year 1984 level. However, a combination of falling demographics within the Primary Service Area and publicity regarding last year's proposed tuition legislation served to limit the number of applicants. It appears that this was a temporary decline as applications for the fiscal year 1986 have returned to a level approximating normal application rates.

Question: Have any qualified students been denied admission?

Answer: No, all students that were rejected for admission did not meet one or more of the admission requirements.

Question: Have admission standards been raised?

Answer: No, admission standards have not changed.

Question: What plans do you have to increase recruitment efforts?

Answer: MSSD has relied upon interactions with parents and the local education agencies (LEA) to distribute information about the program. Students are often enrolled at MSSD because it is the most appropriate placement for the student. Further, parents of students attending the school encourage other parents to enroll their children at MSSD.

MSSD will continue to work cooperatively with the parent groups and the LEAs to ensure that information about the program is effectively disseminated and to assure that parents make the appropriate choice for their children.

Question: Do you anticipate any decline in enrollments in the Model Secondary School for the Deaf in school year 1985-1986?

Answer: No, MSSD expects to meet or exceed its enrollment projection of 387 students for fiscal year 1986.

Question: What is the attrition rate at the school?

Answer: MSSD attrition rates vary from year to year and are generally a function of parental, student or program decisions. In fiscal year 1985, students have left the program to return to a local area placement or have been withdrawn for disciplinary reasons. MSSD initiated a rolling admissions policy this year; thus, students have also entered the program throughout the year.

Question: Did you have a budget surplus in fiscal year 1985 as a result of the lower enrollment level and what did you or will you do with these funds?

Answer: No, MSSD does not project that it will have a budget surplus in fiscal year 1985. The variable element in this program is the number of faculty, which in fiscal year 1985 remains at the fiscal year 1984 level. Many faculty members carry two responsibilities -- teaching and research -- which allows the program to vary the effort between its instruction mandate and its research and demonstration mandate. Greater efforts have been directed toward the research function during fiscal year 1985.

Question: What did you or what will you do with these funds?

Answer: There is no projected budget surplus in fiscal year 1985.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

MASTER PLAN

Question: Dr. Lee, tell us about the master plan mentioned on page 309 of the budget justifications.

Answer: In October, 1983, the College initiated a master planning process designed to determine the role and scope of its instructional, service and research programs. The process has involved the campus community and other constituent groups in the identification and development of the plan. The Master Plan will provide the strategic focus that the College will emphasize during the coming years. It is currently still under review and is scheduled for completion by the end of fiscal year 1985.

Question: How does the budget request reflect this?

Answer: The plan is being designed to initially cover a five year time frame. This year's request is for an increase of $189,000 to continue serving effectively the rubella-related enrollment increase currently passing through the undergraduate programs. Specifically, some of these funds will go toward enhancing computer instructional technology on campus, a major theme of the Master Plan.

PREPARATORY PROGRAM

Question: I understand Callaudet has a one-year preparatory program to accommodate students in need of additional instruction before entering the freshman class. How old is this program?

Answer: The preparatory program has always been an integral part of the Gallaudet College experience because of the language and math deficits of most deaf students. The origin of the program goes back to the 19th century.

Question: GAO reports that roughly three-fourth's of Gallaudet's freshman class now require this preparatory program. Why is this?

Answer: The GAO reported the preparatory enrollment percentage for the academic year 1982. Actually, the mix of entering freshmen and preparatory students varies from year to year and it depends upon the level of achievement within each year's applicant pool. During the Fall of 1984, for example, 54 percent of entering undergraduates were placed into the preparatory program. Students placed into the School of Preparatory Studies benefit from an intensive program designed to place emphasis on English, mathematics, and other foundational skills.

FACULTY RESOURCES

Question: I notice in the budget justifications that the number of faculty at Gallaudet dropped from 266 to 252 between 1984 and 1985. Was this through attrition?

Answer: Yes, the College has accepted a reduction in staff and faculty positions through attrition.

Question: Has this reduction in faculty had any appreciable impact on the student/faculty ratio?

Answer: Yes, with an increase in students and a decrease in the number of faculty, the student/faculty ratio has risen to some degree.

COST PER STUDENT

Question: What are the current instructional costs per student at Gallaudet?

Answer: The Higher Education General Information Survey groups higher education costs into several categories and instruction is just one of the eight categories. The following comparison of instructional costs per student begins with fiscal year 1982 as shown in the GAO report and extends this comparison through fiscal year 1984:

Fiscal Year 1982	$6,420
Fiscal Year 1983	$8,246
Fiscal Year 1984	$8,721

Total costs per student, which includes all eight categories, for fiscal year 1985 are projected at $25,774 which represents an increase of 8.4 percent over fiscal year 1982 as reported by the GAO.

Question: How do these costs compare with other colleges generally?

Answer: The percentage increase in total cost since fiscal year 1982 amounts to 8.4 percent over the four years. For comparison, the Consumer Price Index for urban consumers has increased 13.9 percent for the period of October 1981 through March 1985. If current trends continue the percentage increase in the consumer price index will be approximately twice the percentage increase in Gallaudet's total cost per student for the same four-year period.

STUDENTS RECEIVING FEDERAL ASSISTANCE

Question: What proportion of your student population receives Federal assistance?

Answer: Approximately 38 percent of the total student population received Federal assistance through National Direct Student Loans, Pell Grants, Supplemental Educational Opportunity Grants, Guaranteed Student Loans, and College Work Study.

Question: What's the default rate under the Direct Student Loan program?

Answer: For 1984, Gallaudet's National Direct Student Loan default rate was 2.98 percent.

Question: How does that compare to previous years?

Answer: The comparative information is as follows:

Year	Gallaudet College Percentage	National Average Percentage
1981	5.30	11.09
1982	5.76	10.49
1983	1.50	14.82
1984	2.98	Not Available

EDUCATION FOR THE HANDICAPPED

STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

CAROL CICHOWSKI, DIRECTOR, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

BIOGRAPHY AND TABLE

Senator WEICKER. The subcommittee now will hear testimony as to education for the handicapped, and here to testify on education for the handicapped is Madeleine Will, Assistant Secretary for Special Education and Rehabilitative Services.

Madeleine, it is a great pleasure to have you before the committee. Please proceed in any way that you care, but first we will place your biography and budget authority table in the record.

[The information follows:]

BIOGRAPHY OF MADELINE C. WILL

Position: Assistant Secretary for Special Education and Rehabilitative Services.

Birthplace and date: Hartford, CT, August 9, 1945.

Education: Hartford College for Women, 1965, A.A.; Smith College, 1967, B.A.; and University of Toronto, 1969, M.A.

EXPERIENCE

Present: Assistant Secretary for Special Education and Rehabilitative Services.

1982: Member, Maryland Department of Mental Retardation and Developmental Disabilities Expansion Committee.

1982: Consultant, Rock Creek Foundation, Silver Spring, MD.

1981: Chairman, government affairs committee, Maryland Association for Retarded Citizens.

1981: Founding member, Real Rights.

1979: Chairman, government affairs committee, Montgomery County Association for Retarded Citizens.

1977: Trustee, Hartford College, Hartford, CT.

1977: Committee member, Metro Area Council for Public Information and Advocacy.

1975: Board member, Home Care Services for the Handicapped.

1974: Cofounder, Kensington Nursery School Sheltered Classroom.

1970: Editorial assistant, American Enterprise Institute.

BUDGET AUTHORITY BY ACTIVITY

[In thousands of dollars]

	1984 appropriation	1985 estimate	1985 appropriation	1986 estimate
State grants:				
State grant program	1,068,875	1,068,875	1,135,145	1,135,145
Preschool incentive grants	26,330	26,330	29,000	29,000
Subtotal	1,095,205	1,095,205	1,164,145	1,164,145
Special purpose funds:				
Deaf-blind centers	15,000	12,000	15,000	12,000
Severely handicapped projects	4,000	4,000	4,300	4,300
Early childhood education	21,100	21,100	22,500	22,500
Secondary and transitional services	6,000	6,000	6,330	6,330
Postsecondary programs	5,000	5,000	5,300	5,300
Innovation and development	15,000	12,000	16,000	16,000
Media services and captioned films	14,000	14,000	16,500	16,500
Regional resource centers	5,700	4,500	6,000	6,000
Recruitment and information	1,000	1,000	1,025	1,025
Special education personnel development	55,540	37,640	61,000	50,000
Special studies	3,100	2,000	3,170	2,000
Subtotal	145,440	119,240	157,125	141,955
Total	1,240,645	1,214,445	1,321,270	1,306,100

BUDGET REQUEST

Mrs. WILL. Mr. Chairman, and members of the committee. We appreciate this opportunity to present the fiscal year 1986 budget request for education for the handicapped. The request of $1.31 billion includes $1.16 billion for State grants to provide financial assistance to States in educating the handicapped children for whom they are responsible under the Education of the Handicapped Act, and $142 million for special purpose funds which support Federal discretionary activities directed at improving education of the handicapped.

The request provides for maintenance of funding at the 1985 levels for the State grant programs through which the Federal Government helps States and localities provide special education and related services to more than 4 million handicapped children. Special purpose fund programs will be maintained at their fiscal year 1985 levels with the exception of three programs where reductions of $15.2 million are requested. Most of these programs are proposed at their 1985 levels in an effort to help control the Federal deficit.

We believe that our request reflects a continuing commitment to special education, as well as a balance between the need for Federal support and overall fiscal constraint.

STATE GRANTS

We are requesting $1.14 billion for the Handicapped State Grant Program in 1986, the same as the 1985 appropriation. About 4,176,000 children are expected to receive special education and related services next year. Our request would provide over 7 percent of the excess costs associated with educating a handicapped child.

In addition, we are requesting $29 million for preschool incentive grants, the same level as appropriated in 1985. Incentive grants are aimed at encouraging States to help handicapped children at a very young age when intervention can be especially beneficial in increasing educational achievement in later years. Funds will be distributed among the States based on an estimated 259,000 children aged 3 through 5 expected to be served in the States. Together, these two programs, which provide direct financial assistance to States, total $1.16 billion or almost 90 percent of our total budget request.

SPECIAL PURPOSE FUNDS

Our request for discretionary programs for the handicapped is $142 million, a decrease of $15.2 million below the 1985 appropriation.

Eight of our eleven discretionary programs would be level funded from 1985 to 1986. Included in this group are the Early Childhood Education Program and the Secondary and Transitional Services Program. Three programs, for which a less pressing national need for Federal funding exists, are proposed for reduction: Deaf-blind centers, special education personnel development, and special studies.

I would emphasize that this reduction amounts to only about 1 percent of the 1985 appropriation for education for the handicapped.

DEAF-BLIND CENTERS

The proposed level of $12 million for deaf-blind centers is $3 million less than the 1985 appropriation of $15 million, reflecting a reduction in direct services to deaf-blind children that the States are required to serve. This is in accordance with the Education of the Handicapped Act Amendments of 1983, which shifted the focus of this program away from direct services and toward the provision of technical assistance and training to States and service providers.

Direct services will be continued to children not required to be served by the States. It should be emphasized that support for the Deaf-Blind Center Program began in 1968 as part of the response to the special needs of deaf-blind children born during the rubella epidemic of 1963–65. The program predates the Education of the Handicapped Act requirements for States to provide educational services to these children.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

For special education personnel development, we are requesting $50 million, $11 million less than the 1985 appropriation level of $61 million. The request reflects a need for more reliable data and for a better understanding of how this program can be used effectively to address any personnel shortages. We believe that it is appropriate to limit funding until these data are available. The Department is working to better identify what constitutes a shortage of personnel, how to identify the shortage, and how to focus resources on relieving a shortage.

We are requesting $2 million for special studies, a decrease of $1.2 million from the 1985 appropriation. At this level, all of the studies mandated by Congress would be funded, including a study on the cost of special education in State and local school districts, and another on the long-term effects of special education. We will continue our analysis of State-reported data for the annual report to Congress and conduct additional studies. We believe this is an adequate evaluation program.

SPECIAL PURPOSE FUNDS

For severely handicapped projects, we are requesting $4.3 million, the same as appropriated in 1985. These projects support demonstration and research activities in areas such as communication skills, independent living, and the effect of parental involvement in programming for severely handicapped children.

We are requesting $22.5 million for early childhood education, the same level as appropriated in 1985. In addition to demonstration projects focusing on children from birth through 8 years of age, 30 percent of the funds appropriated under this program will be used for grants to States to assist them in planning, developing, and implementing comprehensive services for preschool children.

We are requesting $6.3 million for the Secondary and Transitional Services Program, the same as 1985, to continue our efforts in improving the ability of our older handicapped children to attain the skills necessary to live in the world of adults. Funds will support demonstration projects, including projects which encourage cooperative planning by public agencies at the State and local level. In addition, two long-term projects studying intervention effectiveness and demographics will be continued.

For postsecondary programs, $5.3 million is being requested, the same as the previous year. These funds support programs serving postsecondary-age students who are in a variety of settings such as vocational-technical schools and community colleges, as well as demonstration projects in postsecondary education.

For the Innovation and Development Program, we are requesting $16 million, the same as 1985. Funds will continue to support field-initiated research and student research projects, in addition to research and development activities on educational problems of special populations of handicapped children.

For the Media Services and Captioned Films Program, the 1985 appropriation level of $16.5 million is requested. This program supports captioning of films and television programs for the hearing impaired, as well as projects aimed at increasing the development, awareness, and use of educational media technology for a broad range of handicapping conditions. As in 1985, emphasis will continue to be placed on the closed-captioning of television programming.

We are proposing to maintain the fiscal year 1985 funding level for the Regional Resource Centers Program at $6 million. Consistent with the amendments of 1983, the objectives of these centers will be to continue the provision of technical assistance to States for capacity building, educational programming, and special education administration.

Finally, we propose to maintain the Recruitment and Information Program at $1 million, the same level as 1985. Funds will continue to support two national clearinghouse projects begun in fiscal year 1984, dealing with the recruitment of educational personnel and dissemination of information concerning educational opportunities for the handicapped.

PERSONNEL DEVELOPMENT

I would like to add that we are requesting that a technical change be made to our 1985 appropriations language to make funds appropriated in 1985 for our Special Education Personnel Development Program available on a normal fiscal year basis beginning October 1, 1984.

Under the current appropriation law, funds will not become available until July 1, 1985. A total of 628 continuation grants have project periods which expire on May 31. Unless language is enacted, no funds will be available for these projects in the month of June, and ongoing activities under projects will be interrupted.

The proposed language was transmitted in the supplemental portion of the 1986 request.

Thank you, Mr. Chairman. I will be pleased to answer any questions you have.

PHILOSOPHY ON HANDICAPPED

Senator WEICKER. Thank you, Madeleine.

You are the one who has the primary duty insofar as the handicapped of this Nation are concerned, so I would very much like to hear your observations as to the personal views expressed first by Mr. Uzzell, who says that Public Law 94–142 ought to go, along with every other Federal program, with the exception of NCES, and the general philosophy personally expressed by Ms. Eileen Gardner regarding the "laws for the education of the handicapped have selfishly drained resources from the normal school population * * *." "In a misguided effort to help a few, the many have been injured," et cetera, and that is the best way to generalize here.

I think that the time has come now, since you are the official spokesman in this area, to find out what the policy is all about, and also to hear the response to the general philosophies, admittedly personal, that have been enunciated now by two key members of the Department of Education.

Mrs. WILL. Senator, I want to make several points.

First, I do feel that I have a very close working relationship with the Secretary, and that I have opportunities to have input in policymaking with respect to special education. I think the Secretary has indicated that the individuals questioned earlier are not going to have primary responsibility in those areas.

I think I have to go on by saying that I don't agree with those personal views. People have a right to express all sorts of theological, political, and moral views, and that is one of the wonders of our democracy. Something I have learned since I have been in Government is the extent to which we diverge in our views as a people, and we want to protect the ability of people to diverge.

I don't share those views, those theological views. I live in a part of the universe, Senator, where the central purpose of individuals' lives is to help the handicapped—teachers, administrators, rehabilitation counselors, researchers. I feel very comfortable with these people. I have been there for a long time, and I intend to continue to be there.

In terms of the Education of the Handicapped Act and the problems therein, I do agree that the centralization and the extreme categorical nature of our programs are creating problems in the service delivery system. But the President has said on a number of occasions that this program is basically going to remain as it is structured, and I support that view.

I think that we may need to continue to try to identify ways to enable people at the local level to respond more flexibly.

I want to make one more point. We talked a great deal earlier this morning about our responsibilities to care for the disabled. One of the changing perceptions of people in the disability community is that they want desperately to help themselves. They are mothers, fathers, grandparents, employees, taxpayers, and citizens.

Senator WEICKER. I couldn't agree with you more, but according to what I heard over here, there was no involvement. I couldn't agree with you more. I don't think that there is a gutsier community out there. I haven't run into anybody in the community, at least in my position here, who doesn't scrap like heck. My God, when the President tried to dismantle Public Law 94–142, they descended on Washington. I don't mean their advocates; the handicapped community themselves descended on Washington. They can fight. They wouldn't be where they are today if they were not fighters. That is what bothers me.

Mrs. WILL. That was a point that was not made clear earlier. We have had a kind of national discussion about the Education of the Handicapped Act and Public Law 94–142, and, in fact, you are right when you say that parents have made a choice. We have analyzed the comments. Thousands of comments descended upon Congress and the Department of Education, and the vast majority of comments indicated that people did not want the EHA changed. I think that the administration and the President have clearly heard that message.

PHILOSOPHY ON HANDICAPPED

Senator WEICKER. I had a chance to meet your son on television the other day, your Down's child. What is his name?

Mrs. WILL. Jonathan.

Senator WEICKER. "As unfair as it may seem, a person's external circumstances do fit his level of inner spiritual development." Do you accept that as far as Jonathan's concern? I don't accept it as part of Sonny's concern, I can tell you that, or anybody else's for that matter.

Mrs. **Will.** No.

Senator **Weicker.** I can't believe that that is going to go ahead and be part of the policymaking process in the Department of Education.

All I can say is this, and I want to make this point crystal clear. Nobody, I think, has been a better advocate in this administration that you have. I realize that it has not been an easy role, because I know of your own personal feelings, your professional feelings, and I think at times you have had a lot of fights to wage.

I have no problem insofar as you being the person that we look to in the administration vis-a-vis the disabled, the handicapped, the retarded, but I get a little edgy when I hear the testimony that I heard today.

Let me say this, and I tried to make the point clear at the outset, when it comes to a person's religious beliefs, when it comes to their political beliefs, when it comes to philosophical beliefs, et cetera, it is not the business of this committee. It is not the business of this committee, and I didn't even try to get into this argument. But it certainly is the business of this committee how the officials of the Department of Education view those that the law mandates they assist in particular ways. That then becomes very much the business of this committee, and that is all I am interested in.

ATTORNEYS FEES

As you know, in response to the Supreme Court decision in *Smith* v. *Robinson*, I introduced Senate 415 to allow courts to award expenses to parents who prevail in special education lawsuits. Has the administration taken a position on Senate 415?

Mrs. **Will.** No, Senator; we have not taken a position on that particular piece of legislation. The *Smith* v. *Robinson* Supreme Court decision was a major decision which will have significant impact on the program administration under the Education of the Handicapped Act. The first preference of the administration is to deal with the question of fees reimbursement across-the-board in one piece of legislation. However, we are aware of the great interest in legislation to correct the *Smith* v. *Robinson* decision with respect to EHA, and if carefully crafted, the administration would like very much to support a bill which would allow for fees to be awarded under EHA.

We have focused initially on legislation that is being advanced in the House. We feel that there are a number of flaws in that legislation. However, we continue to explore the possibility of finding a piece of legislation.

Senator **Weicker.** As I understand it, the House has already held hearings, and they expect to report their measure shortly. I have scheduled hearings for May 16, and I would hope that just as soon as we report the bill out, we will take it to the floor, get it passed, we would have administration input which I am more than glad to have, and we would get this matter signed into law by the President this summer.

Mrs. WILL. You should know that the markup on the House side has been delayed. It was supposed to take place yesterday.

Senator WEICKER. It has been delayed?

Mrs. WILL. Yes.

STATE GRANTS

Senator WEICKER. The budget proposal for State grants for the handicapped, for which you have indicated support, freezes funding for 1986 at $1.135 billion, the level appropriated for 1985.

The Department's own figures show that it would take $52 million more just to stay even with inflation. Therefore, a freeze equals a reduction of $52 million right off the bat—but only if inflation stays where it is over the next year.

The Department's own conservative estimate is that we will be serving another 40,000 children next year, thereby reducing the amount available by roughly another $15 million. Then, of course, the cost of things doesn't seem to be going down, and the cost of educating each child has risen by a couple of hundred dollars each year.

We have polled State special education directors, and apparently there are a great number of cutbacks that are going to take place.

I would like to know, with all the money—I am sitting here in these Republican leadership conferences, and we are talking billions and billions—why is this reduction of $52 million coming out of the hides of these people? I really don't understand that, I really truly don't.

How much more money would be required for handicapped State grants in 1986 in order to maintain the 8 percent of excess costs level, thereby protecting the program?

Mrs. WILL. I don't have that.

Ms. CICHOWSKI. About $62 million.

Senator WEICKER. About $62 million.

There are several questions on this subject, and I will submit those for response to the record.

MONITORING

Last year, you indicated a total of 16 onsite compliance reviews were planned for fiscal year 1984. How many compliance reviews have been conducted this fiscal year for Public Law 94–142 and Public Law 89–113?

Mrs. WILL. We have had three site visits. We have to complete a list that will include 14. We have been in the process of developing a new monitoring system, and for a good portion of last year, we were developing manuals that would identify all the policy requirements under the Education of the Handicapped Act. The new monitoring system consists of five components. We have data analysis, which takes place on an ongoing basis. We have a State review plan process whereby we look at State plans every 3 years. We have a comprehensive compliance monitoring system which involves offsite and onsite data analysis, and the site visits would fall under that category. We have followup and the implementation of corrective action plans, and then finally, we have specific compliance review for areas of deficiency that we identify.

We field tested the new monitoring system in two States. We are now into our cycle for this year and we expect to complete the site visits as we outlined to you.

Senator WEICKER. These are visits to the State educational agencies or to the institutions?

Mrs. WILL. They are to both. We feel that the thrust of our monitoring system is to examine how the States are carrying out their responsibilities, since the act indicates that they have a primary responsibility in ensuring that children receive services. We are, under certain circumstances, driven by the data and by the analysis that we do, onsite and offsite, to sample LEA's and districts.

PRESCHOOL INCENTIVE GRANTS

Senator WEICKER. As you know, early education for handicapped children has been shown to result in higher educational achievement in later years. Special studies suggest that handicapped infants and children who receive early intervention show significant improvement in development and learning along with a decrease in the need for special education programs, compared with peers who do not receive intervention.

You are seeking a freeze in 1986 at $29 million, or the amount that was appropriated in 1985. Considering this information and the legislative priority given to early education of the handicapped, as well as your own advocacy of preschool programs, I was very surprised to note that you propose no increase in appropriations for these programs through 1990. Why?

Mrs. WILL. The decision to freeze those programs is made entirely on the basis of concern for fiscal expenditures. I might point out that we have had a multipronged strategy in terms of programs in the Department. Some programs were requested to be terminated because it was felt that they have achieved their mission, others for reduction and rescissions. In the case of special education programs, we requested basically level funding plus an adjustment for the cost of living. So it was the least drastic application of the——

Senator WEICKER. The fiscal yardstick.

Mrs. WILL. Yes.

In terms of preschool, or early childhood programs, we have two programs that significantly impact on education for youngsters below the age of 5. One is preschool incentive grants, which States have used very effectively to develop early intervention in preschool programs. In addition, we have a significant number of demonstrations and outreach projects that are funded under the Early Childhood Education Program.

The general direction of our programming in the last several years has been to try to coordinate both so that we identify the void, locate children who are not being served, and encourage the States to do comprehensive, statewide planning and development of services.

Senator Weicker. Do you agree with the statement I made in my question, "Special studies suggest—this is the Weiss study—that handicapped infants and children who receive early intervention show significant improvement in learning along with a decrease in the need for special education programs, compared with peers who do not receive intervention." Do you agree with that?

Mrs. Will. We have a number of studies that show that handicapped children require less intensive services and that they do better if they get early intervention services.

PRESCHOOL INCENTIVE GRANTS

Senator Weicker. This is a good place to stop in terms of this budget. Sally, I want your attention.

Ms. Christensen. You have it, Mr. Chairman.

Senator Weicker. This is $29 million, and it is frozen. I want everybody to get as callous as they ever got in their life. I want you to be callous, hard-hearted, and care about nothing but dollars right now. We are not even going to talk about children or the handicapped. We are going to put it strictly on a dollar basis.

Do you know what this freeze is going to cost you in the out-years? It is a known fact now that preintervention programs decrease the out-year costs as far as the education of these children is concerned. Nobody is going to dispute that. Yet, so we can achieve something to show in this year's budget, we have incurred an out-year cost. Budgetarily, this is irresponsible, forget how we feel toward the individuals.

Sally, it is wrong,and I might add that this is the reason why I have my most running dispute with this administration in a variety of areas, but nothing brings it into focus better than this item right here.

Ms. Christensen. Mr. Chairman, I share your views completely, and I understand completely what you are saying. I would point out that, No. 1, this program was protected with a few other programs in the Department in that it was not cut in the OMB objective of decreasing the deficit. We protected this and programs for the disadvantaged.

Senator Weicker. On the basis of track record, not sympathy, but on the basis of track record, this program probably ought to be doubled.

Ms. Christensen. I understand exactly what you are saying. I would also point out that the decrease is because of the few individual additional children that would be served this year. As a result of that, the per pupil expenditure would go down by $3 per child.

Senator Weicker. What is the authorized level for this program? Do we have the authorized level?

Ms. Christensen. We have it right here.

Ms. Cichowski. It is an indefinite authorization.

Ms. Christensen. I would also say, and I did mention it yesterday, that as a result of the improved economic situation around the country, we thought that the States could take the initiative to add that $3 per child out of their total surpluses which exist in just about every State now. They are in a better position to do this kind of thing.

The administration, obviously, had to look at a variety of options for all programs and come up with savings. I reiterate, I do understand your concern.

Senator WEICKER. My concern in this case is a fiscal one. Obviously, this requires adjustment if, indeed, we are to be fiscally responsible. That is the point that I am trying to make.

Mrs. WILL. Senator, may I make one statement. One of the things that we have tried to do in using our early childhood money is to develop adequate dissemination vehicles to explain to people how efficacious early intervention training is.

I wouldn't deny that an increase in appropriations would allow us to serve more children, but there is more to the problem of unserved children than simply dollars. There are many people at the State and local levels who are yet unconvinced that this is a program that they want to invest in.

Senator WEICKER. It has gone beyond the handicapped and the retarded. Let's face it, we are now finding out that probably the lessons learned here apply to the whole school population as far as early education is concerned.

Mrs. WILL. Yes.

Senator WEICKER. There may be those that dispute it, but let's face it, I think the record now is proving itself and, indeed, there is a spilling out from this area and questioning as to whether or not even an earlier education isn't the best thing for everybody else.

EARLY CHILDHOOD EDUCATION

Ms. CHRISTENSEN. I would also add one more thing, Mr. Chairman. The model program for early childhood education, which we have level funded at $22.5 million, will help the States develop the kinds of things which Madeleine was referring to earlier. We have not cut that at all. That would give States impetus for not only adding money, but expanding, improving, and implementing new programs.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. There are further questions for response to the record in the handicapped area.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

COMPLIANCE REVIEWS

Question: Last year you indicated "a total of 16 on-site compliance reviews are planned for fiscal year 1984." Why have there not been more monitoring visits?

Answer: During fiscal year 1984, Special Education Programs conducted fifteen monitoring reviews. We believe that this is an adequate level for monitoring activities.

Question: Are there not enough staff to perform your monitoring function?

Answer: Under our revised monitoring procedures, we believe that our staff will be of sufficient size to ensure that effective reviews are carried out.

Question: How many professional staff are currently assigned to monitoring?

Answer: We currently have 15 professional staff assigned to monitoring, and are preparing to fill 2 vacancies to bring the total to 17.

Question: Last year you indicated, "I have asked my staff, in making plans for this year's monitoring visits, to be certain to visit those facilities" -- referring to institutions. How many institutions have been visited for monitoring purposes during this fiscal year?

Answer: My comment last year was with regard to the Chapter 1 Handicapped program funded under the Education Consolidation and Improvement Act. However, we should point out that many of the children in that program are not served in institutions. These programs are reviewed in conjunction with Education of the Handicapped Act programs. The primary activity undertaken by the monitoring staff during the first six months of fiscal year 1985 has been the development of a refined comprehensive monitoring and compliance system. As a result, to date, a limited number of on-site monitoring visits have been conducted, with four State operated or State supported programs being visited to determine State implementation of Federal laws and regulations. We anticipate that the remaining six States scheduled for on-site monitoring visits during fiscal year 1985 will include visits to and reviews of State operated and supported programs.

Question: I understand that you have a new monitoring plan for determining compliance with Federal regulations, and that this compliance determination is based primarily on data obtained through State agency officials or through State agency documents. No on-site visits to local educational agencies are required, and no interaction with parent groups is required. Are you satisfied that this is an effective method for determining compliance?

Answer: The new monitoring plan relies heavily on reviews of State monitoring requirements, since States bear the responsibility for fulfilling the requirements of the Education of the Handicapped Act. The system does not preclude visits to local education agencies (LEAs), and State operated and supported programs. These will be conducted as needed to support our State level procedural reviews, and to directly investigate the education of children with regard to least restrictive environment and other areas of concern under the act. Monitoring visits for the remainder of the year include visits to both LEAs and State operated programs. Additionally, every comprehensive compliance review includes initial formulation requests to parent and advocate groups as well as on-site meetings with such groups.

MARYLAND STUDY OF SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: Researchers at the University of Maryland surveyed 54 jurisdictions on special education inservice and preservice training needs. The report, entitled "Personnel to Educate the Handicapped in America: Supply and Demand from a Programmatic Viewpoint," found manpower deficiencies and offered a number of observations concerning the Federal personnel preparation grant program, generally concluding that it is essential to continue and to expand for effective Special Education Personnel Development activities.

According to your budget justification, you propose an 18 percent reduction in the budget for special education personnel development because you "lack data necessary to identify and target training funds on specific areas of shortage." Do you discount the findings of the nationwide survey of special education personnel needs conducted by the University of Maryland under a Department of Education grant and released in 1984?

Answer: The Maryland study has been useful in highlighting many of the problems we are confronted with in directing our resources toward relieving shortages. Our priority on rural education, for example, is supported by the Maryland study. We do, however, have serious problems with the utility of the study in targeting resources on particular areas.

For example, five States are identified in the report as having "consistent severe shortages" of instructors for learning disabled children. Two of these States do not report any shortages in this area in annual reports to the Department under section 618 of the Education of the Handicapped Act. Likewise, of the five States reporting the most severe relative shortages of instructors of learning disabled children under section 618, two are not reported as having shortages in this area in the Maryland study.

The Maryland study also appears to have a number of striking internal inconsistencies. For example, the report states that in one State the shortage of speech/language personnel is so acute that positions remain unfilled well into the school year, and there have, in the past, been undersupplies of consulting teachers. Earlier, however, in its State by State analysis, the report shows shortages in only one area, early childhood education. The report attributes shortages of speech and consulting personnel, in part, to low salaries, and the excellent reputation of the State university, whose graduates do not remain in the State because they can obtain better positions elsewhere. Ironically, this State university is one of our largest grantees under the Special Education Personnel Development program. This situation highlights one of our problems in targeting resources. If there is a shortage in a particular geographic or specialty area, how can we best target our resources so that they relieve the specific shortage?

Question: If so, how do you justify cutting training funds by $10 million (16 percent)?

Answer: While we have trouble with much of the data presented in the Maryland study, we do not discount its use completely as a means of describing the problems which State and local education agencies must contend with in providing trained teachers and related services personnel for handicappped children. We do not believe that the study, by itself, can serve as a basis for distributing funds. The reduced level of funding reflects the Department's overall lack of adequate data to identify and target training funds on specific areas of shortage.

Question: It is my understanding that each State must submit to your office a State plan which identifies current State needs in terms of a comprehensive system of personnel development.

It is also my understanding that every application submitted for personnel preparation funding includes a required section which indicates the need for that project in the State, and that 25 percent of the funding approval decision is based on this statement of need.

It is also my understanding that at least three other sources of data which indicate personnel needs nationally are available to your office -- and that two of these data sources come from projects funded by your office.

Let me quote from one of these publications, funded by your office with the specific purpose of identifying areas of personnel needs in special education: "A general shortage of many types of special education personnel was reported, with serious shortages of certain types of personnel: occupational therapists, physical therapists, speech clinicians, personnel to work with students who are emotionally disturbed, multiply handicapped, visually handicapped, hearing handicapped, and personnel for special education in the secondary schools." How can you maintain that you do not have the data on which to base your decisions and still make such comprehensive statements in your reports?

Answer: The quote which you cite is from a study by the University of Maryland entitled, "Personnel to Educate the Handicapped in America: Supply and Demand from a Programmatic Viewpoint." This study was conducted under a grant from the Department and does not necessarily represent the Department's opinion. With regard to the data available to use in allocating resources, a distinction must be made between the volume of data and its utility. We have a great volume of data regarding shortages, however, much of it is contradictary, inconsistent, or otherwise not suitable for use at this time for allocating resources. The Department is working to better determine what constitutes a shortage of personnel, how to identify the shortage, and how to focus resources on relieving the shortage.

Question: Are you not using the information which your own Department sponsored to assist you in determining how to target personnel preparation monies? If you're not, on what basis did you determine that there should be a large reduction in this account?

Answer: The study conducted by the University of Maryland has provided some useful information regarding the nature of the teacher shortages in special education across the Nation. Rural school districts in nearly all jurisdictions studied had particularly high rates of attrition of special educators. This need for higher education to prepare personnel specifically for service in diverse geographic, cultural, and socioeconomic settings was cited as a major problem.

This type of finding has been used to allocate available funds to Part D funding priorities. The Maryland study, together with other sources, has provided input into the priority setting process for fiscal years 1985 and 1986.

We do, however, have serious problems with the data available in targeting resources on particular areas. This data suggests that there is not a strong relationship between needs and individual awards, and the utility of our awards in relieving needs is questionable in light of the underlying causes of shortages such as low salaries, job burnout and unfavorable working conditions. The proposed reduction in funding reflects the Department's overall lack of adequate data to identify and target training funds on specific areas of shortage.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: The Office of Special Education and Rehabilitative Services is requesting an $11 million reduction in the Special Education Personnel Development budget. With no evidence of a decline in the number of handicapped children needing services or of a surplus of special education personnel, how do you justify this reduction?

Answer: The proposed reduction in funding is not based on a decline in the number of handicapped children needing services or a surplus of special education personnel. The reduced level of overall funding reflects the Department's lack of data necessary to identify and target training funds on specific areas of shortage.

Question: Last year, the Department recommended a $17 million cut in the Special Education Personnel Development program. The reductions were to be made by eliminating certain programs including doctoral and post doctoral training, State education agency projects, special projects, and specialized training of regular educators. Congress rejected the proposal and raised funding for the program to $61 million. Even then, the Office of Special Education and Rehabilitative Services planned to eliminate various project areas, requiring the Congress to include instructions in the Labor, Health and Human Services, and Education Appropriations Bill (Public Law 98-619) that support for these areas be continued. Under the fiscal year 1986 budget plan, how would these areas be affected?

Answer: A reduction of the training appropriations by $11 million in 1986 would leave an appropriation of $50 million. Of this amount, approximately $15 million would be available for new training grants. This is the same level as available for new starts in fiscal year 1985. In fiscal year 1986, all of the areas of training specified above would be supported.

Question: What kinds of programs or projects would not be funded or would receive reduced funding according to the Department's budget plan?

Answer: At the proposed budget level for fiscal year 1986, most of the training priorities funded in the prior year would be reduced somewhat, though some areas would be expanded. The amount of reduction has not yet been determined for each area. Funding levels would depend on continuation funding requirements in each of the priority areas and on our ability to identify and target resources on shortage areas. We are attempting to make our funding more responsive to areas of identified shortage.

Question: There is evidence that some States are lowering certification standards in order to cope with personnel shortages that already exist. What impact do you anticipate a budget reduction in this program would have on the quality of personnel in the schools?

Answer: We believe that there would be very little direct impact on the quality of personnel in the schools as a result of the proposed budget reduction. More important to the quality of personnel in the schools would be the funding available to hire fully qualified and certified personnel to fill vacancies and replace teachers who are teaching under temporary or emergency certification.

Question: What impact do you anticipate such a budget cut would have on the special education and related services children receive in the Nation's schools?

Answer: We believe that until we get a better understanding of the relationship between funding under the Special Education Personnel Development program, and the supply and quality of special education and related services personnel, we cannot determine the impact of program funding. For example, it is often stated that there are shortages of specialized teachers for low incidence groups in rural areas. Is this due to a reluctance on the part of administrators to hire specialized teachers for a very small number of children, low salaries, a lack of interest by teachers in locating in remote areas, or a lack of trained teachers?

STATE AND PROFESSIONAL STANDARDS FOR TRAINING

Question: Public Law 98-199 states that the Secretary of Education shall ensure that grants awarded to applicant institutions and agencies under this section meet "State and professionally recognized standards for the training of special education and related services personnel." In awarding training grants to educational institutions, is the Department now ensuring that such grants go only to institutions that meet both State and professionally recognized standards?

Answer: As part of the award process, we carefully screen and analyze all applications recommended for funding to ensure that agencies eligible for awards meet State and professionally recognized standards for the training of special education and related services personnel. The application package provides detailed instructions to institutions and agencies who apply for grants. For example, each application package announcing the different competitions has the following instruction: "State and Professional Standards: The legislation authorizing the training of personnel for the education of the handicapped requires that all projects for preservice training meet State and professionally recognized standards for such training. Assurances that the applicant meets appropriate standards should be summarized in Section IV, Page 2, of the application, and full documentation must be appended to the application."

Program staff screen and analyze each application to make certain that the above required information is available and that applicant institutions/agencies are eligible for award. In addition, grant negotiators in the Department convey the following information to the applicant as part of the final negotiation of each grant (ED Form 5378, item number 12): "In order to receive a preservice training grant, the applicant must demonstrate that the proposed project will meet State and professionally recognized standards for training of special education and related services personnel." The above information is made a part of the final negotiation and included as a condition of award.

Question: What professionally recognized standards must be met by institutions applying for personnel preparation grants?

Answer: The most common professional standards applicable to this program are the special education standards of the National Council for Accreditation in Teacher Education. Other standards used in the first year of this new requirement were those of the following organizations:

- American Speech-Language-Hearing Association
- American Psychological Association
- American Occupational Therapy Association
- American Physical Therapy Association
- National Accreditation Council
- Various regional accrediting organizations

Question: Please elaborate on this by listing the standards for major professional disciplines such as speech-language pathology and audiology.

Answer: Below is a copy of the basic standards of the American Speech-Language-Hearing Association. While the terminology may differ somewhat among the various disciplines, and of course the content does differ, the general requirements tend to be highly consistent across disciplines. Most accreditation procedures include some self-study component, and virtually all include peer review of administration, curriculum, practicum, faculty, institutional policy, and facilities. In disciplines which require internships; e.g., psychology, occupational therapy, and physical therapy, consideration is also given to the quality of internship arrangements.

Essentials of an Acceptable Educational Program for
Speech-Language Pathologists and/or Audiologists

The American Speech-Language-Hearing Association (ASHA) is committed to ensuring that quality speech-language pathology and audiology services are provided to the public. The Association maintains a system of voluntary accreditation for education and training programs offering master's degrees in speech-language pathology and audiology. Although quality education can be achieved in a variety of ways, as a mechanism to fulfill this commitment, the Council on Professional Standards in Speech-Language Pathology and Audiology (Standards Council) believes that certain components are essential to effect quality education in the profession. Such components must encompass both academic and professional training. Seven areas have been delineated for the establishment of Standards and Minimum Requirements for accreditation of education and training programs:

- program self-analysis
- administration
- curriculum
- clinical practicum
- faculty
- institutional policy
- facilities.

The Standards Council has adopted the following Standards and Minimum Requirements as necessary conditions for accreditation of education and training programs at the master's degree level. Programs must satisfy all Standards and Minimum Requirements to be awarded accreditation. The Educational Standards Board (ESB) has the responsibility for evaluating the adequacy of programs' efforts in satisfying each requirement. The ESB recognizes that different but equally acceptable means may be available to satisfy each of the Standards and Minimum Requirements.

STANDARDS AND MINIMUM REQUIREMENTS FOR ACCREDITATION

Compliance with the Standards and Minimum Requirements represents the minimum for accreditation. The ESB and the Standards Council encourage programs to exceed these Standards and Minimum Requirements to achieve educational excellence.

1.0 Program Self-Analysis

All programs undergo continuous change. Changes are influenced by developments in educational technology, by research which lends insights into the delivery of professional services, and by demands from the public for specific types of professional services. Moreover, internal situations such as sufficient faculty, staff, and budget, increase or decrease in size of student body, and availability of space and equipment also create program change. Change may be constructive and lead to improvement of a program's educational and training effectiveness, or change may have an adverse affect. Each program's faculty and staff must recognize the need for systematic appraisal of program strengths and limitations in order to provide the highest possible quality educational experience. Self-evaluation should be a continuous monitoring process. It should indicate introspective evaluation, as well as focus on the graduates of the program. The ESB views program self-analysis as a primary procedure which should take place prior to the implementation of the peer review accreditation process. In peer review, the ESB seeks evidence that a program has developed and is using procedures for self-analysis that will assure compliance with the following minimum requirements.

1.1 The program must provide a written statement of academic and clinical training goals and must describe the mechanisms implemented to assess the program's effectiveness in reaching these goals.

1.2 The program must have an ongoing plan for evaluating both academic and clinical instruction.

1.3 The program must provide, along with other application materials, a digest of perceived program strengths and limitations.

1.4 The program must have a system for ongoing evaluation of the professional preparation of those individuals who plan to provide services to the public. (Note: Programs must ascertain the quality of service provided by program graduates. A variety of mechanisms may be used, including systematic interviews with former graduates; evaluations of former graduates by employers; evaluation of former graduates' performance during the Clinical Fellowship Year (CFY) or on the National Examinations in Speech-Language Pathology and Audiology (NESPA).

1.5 The program must ensure that its faculty and staff continue their own professional education.

2.0 Administration

A program should have an administrative structure which provides for reasonable autonomy within the institution as well as for reasonable access to the administration of the institution. Decisions regarding the training of professionals in speech-language pathology and audiology should be made by the program faculty. The parent institution must provide support which assures adequate and regular budgetary allocations for personnel, space, equipment, and materials. The ESB will seek evidence of compliance with the following minimum requirements:

2.1 Professional training in speech-language pathology and audiology will be approved only in those colleges and universities which hold both appropriate regional accreditation and have programs that allow students to obtain the master's degree in one or both areas.

2.2 Within the general framework of administrative structure, the program director must be trained in speech-language pathology, in audiology, or in speech and hearing science.

2.3 The resources necessary for continued operation of the program must be assured through support from the parent institution as indicated by appropriate and regular budgetary allocations.

3.0 Curriculum

Programs may vary in academic curriculum depending upon their objectives and on the standards of various local, state and national agencies. Regardless of whether a program chooses to provide training to meet specific certification or licensure standards, the program has the responsibility of informing the students of these standards. The curriculum must reflect a commitment to the scientific and research bases of the profession. The program should accept students for graduate study at a standard consistent with that of the other graduate programs in the institution.

The ESB recognizes the academic requirements established as requisite for the Certificate of Clinical Competence (CCC) as minimal requirements for the training of the student who expects to provide clinical service in speech-language pathology or audiology. Thus, the Requirements for the Certificates of Clinical Competence (RCCC) must be reviewed by the program in evaluating its curriculum. The curriculum should include training in clinical program planning, development, and evaluation. This curriculum should ensure that students become familiar with practices necessary to comply with state and federal laws directly affecting the provision of clinical services.

The program must maintain records of the academic and clinical training of each student. All academic credit and practicum experience transferred by a student from another undergraduate or graduate program must be verified and evaluated. The ESB will seek evidence of compliance with the following minimum requirements:

3.1 The program must demonstrate that its curriculum provides academic and clinical experiences so that students, who so elect, will fulfill the requirements for the Certificate of Clinical Competence in Speech-Language Pathology (CCC-SP) and/or the Certificate of Clinical Competence in Audiology (CCC-A) awarded by ASHA. Appropriate course work to meet these requirements may be taken in various departments of the program's institution or at other colleges or universities; however, the program must demonstrate a mechanism for review of such course content.

3.2 The program must have an ongoing mechanism for informing students about the necessity of fulfilling certain academic and practicum requirements for professional practice as such requirements relate to state department of education certification, state licensure, and ASHA certification.

3.3 The program must provide each student with copies of appropriate documents regulating clinical practice, including the RCCC and the ASHA Code of Ethics. (Note: Such documents may include state certification and licensure requirements as well as other policies and regulations affecting professional practice within the state).

3.4 The program must show how academic instruction and clinical practicum are sequenced and coordinated.

4.0 Clinical Practicum

Clinical practicum experience is vital to the training of speech-language pathologists and audiologists. Clinical practicum, as required for the CCC, is recognized by the ESB as the minimum training requirement. Quality training is realized through provision of quality service to clients. Thus, the protection of the interests of the consumer of clinical services delivered under the auspices of the clinical training program is required for accreditation. Requirements related to clinical practicum must be observed at off-campus as well as on-campus practicum sites. The ESB will seek evidence of compliance with the following minimum requirements:

4.1 A student clinician must observe a total of 25 clock hours of evaluation and management. These observations should be relative to, but precede, clinical assignment with specific types of communication disorders, e.g., articulation, language, fluency, voice, hearing impairment. The observation experience must be under the direct supervision of a qualified clinical supervisor, employed by the program, who holds ASHA certification. (Note: The use of videotapes is acceptable to meet this requirement.)

4.2 The program must demonstrate the manner in which graduates can obtain the appropriate distribution of supervised practicum required for the appropriate ASHA CCC.

4.3 It must be demonstrated that the clinical training program has access to a client base sufficiently large and diverse to permit student clinicians to fulfill ASHA requirements for clinical certification.

4.4 The clinical practicum portion of the program must provide each student with the opportunity to obtain the minimum 150 clock hours of supervised clinical experience *at the graduate level* required for the ASHA CCC.

4.5 Supervised clinical experience must be obtained in a minimum of two distinctly different clinical settings and must include a minimum of 50 supervised clock hours of the required 300 in each of two settings. (Note: The ESB interprets this requirement to refer to clinical experience in the major area. These two clinical settings may be within the organizational structure of the same institution. For example, one may be in an academic program and the other in a medical facility. Other settings could be affiliated community clinics, public schools, etc.)

4.6 Supervision of each student clinician's clock hours of supervised experience must be by persons holding the ASHA CCC in the appropriate area. (Note: Individuals may not supervise during their CFY).

4.7 At least one half of each diagnostic evaluation in speech and language pathology and in audiology must be directly supervised. (Note: Screening services in speech, language, and hearing are viewed as diagnostic procedures and must be supervised in accordance with this requirement. Direct supervision is defined as observation or closed circuit TV monitoring of the student clinician. This minimum amount of direct supervision must be adjusted upward depending on the competence of the student.)

4.8 At least 25% of the therapy sessions conducted by a student clinician must be directly supervised with such supervision being appropriately scheduled throughout the training period. (Note: The amount of supervision beyond the minimum 25% must be adjusted upward depending on the competence of the student.)

4.9 The person who supervises the student clinician during the first 25 hours of clinical practicum done under the auspices of the program must be a qualified clinical supervisor who is a member of the program's professional staff. (Note: It is the intent of this requirement that the program evaluate a student's performance prior to placement in an external setting irrespective of supervised experience gained before entering the program. The amount of supervision required is defined in 4.7 and 4.8. A professional staff member is defined as a primary employee of the training program.)

4.10 Major decisions by student clinicians regarding evaluation and management of a client must be implemented or communicated to the client only after approval by the supervisor holding ASHA certification. (Note: Major decisions refer to such activities as feedback to clients and their families with respect to diagnostic conclusions, referrals to allied professionals for additional evaluation, recommendations for the trial use or purchase of a prosthetic device such as a hearing aid, termination of treatment, etc.)

4.11 Although it may be desirable to have a number of student clinicians observe evaluation and management, student clinicians may earn clinical clock hours only for that portion of the time they are solely responsible for providing services to a client.[*]

4.12 The program must have a plan for the coordination of clinical training which includes

- clinical assignments
- supervisory responsibilities
- recording of supervised clinical clock hours for each student clinician
- evaluation of each student clinician's clinical performance.

4.13 The clinical practicum program must ensure that the welfare of each client served by its students is protected. The program must

- have a qualified clinical supervisor responsible for evaluation and management of each client
- maintain confidentiality of client information
- observe safety regulations and architectural codes for the handicapped
- adhere to regulations governing the protection of human subjects in clinical research.

5.0 Faculty

The training program faculty must be competent to teach the courses for which they have primary responsibility. In addition, there must be persons on the faculty with clear expertise in both providing and supervising clinical services. Additionally, it is important that faculty engage in research. A reasonable portion of each student's contacts should be with members of the instructional staff who hold full-time faculty appointments. Teaching loads should allow for adequate student contact. The faculty must be sufficient in size to meet instructional, clinical, research, and advisement responsibilities without carrying a load that is greater than that traditional for faculty duties in the parent institution. Opportunity to attain rank and tenure tracks should be available to a sufficient number of the teaching and clinical faculty to assure the continuity of the program. The ESB will seek evidence of compliance with the following minimum requirements:

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[*] Although it may be desirable to have a number of student clinicians observe evaluation and management, (a) students should receive credit only for time spent in *direct* provision of services to the client, which may include interviews and consultation with both the client or the client's family; and (b) more than one student clinician may obtain equal credit for the same diagnostic session as long as it is professionally appropriate for multiple clinicians to be actively involved in such sessions. Usually such "team" approaches are seen in evaluation of infants and young children. Rarely are more than two or three clinicians actively involved, however.

5.1 At least one full-time faculty member must hold an earned doctorate from a regionally accredited institution of higher learning. The major emphasis of this degree must be in the area(s) in which accreditation is sought (speech-language pathology and/or audiology).

5.2 There must be at least the equivalent of one full-time member of the teaching staff holding the ASHA CCC in Speech-Language Pathology, and at least the equivalent of one full-time member of the teaching staff holding the CCC in Audiology. (Note: This standard applies to programs seeking accreditation in only one area as well as those programs applying in both areas.)

5.3 The program must demonstrate its allocation of faculty time in average clock hours per week for: (a) academic instruction including provision of continuing professional education; (b) clinical training and service; (c) supervision of student research; (d) student advisement; (e) administration; (f) personal professional commitments including research.

5.4 A minimum professional staff/student ratio should approximate one full-time teaching staff member at the master's level (or the full-time equivalent) to every six full-time master's level majors in the program (or the full-time equivalent). [Note: A staff person is one holding an appointment made by the college or university such as an instructor, a clinical supervisor, a professor, or a teaching fellow. With respect to staff, full-time is determined by the requirements of the training institution (e.g., hours worked, credits taught, etc.) while full-time equivalency may be obtained by a combination of various part-time professional personnel (assuming faculty assignments and responsibilities). With respect to students, a full-time student is defined according to the policies of the particular education and training institution, while full-time equivalence may be determined by combining the number of part-time student credit hours.]

5.5 Programs having undergraduate and/or doctoral education and training must demonstrate that sufficient professional personnel also are available so as not to detract from the quality of the professional training at the master's level.

5.6 With regard to the appointment of full-time faculty and staff, there must be a demonstrated university policy which will assure the continuity of the training program.

5.7 The program must demonstrate that all academic instruction is monitored by an individual holding a university or college appointment.

6.0 Institutional Policy

6.1 To ensure equitable treatment without regard to sex, race, age, creed, national origin, or handicapping conditions, the program must furnish a statement indicating its compliance with the Civil Rights Act, its amendments, and executive orders with respect to students, staff, and clients.

7.0 Facilities

In addition to the classrooms, offices, laboratories, and other facilities essential to any academic program, the physical facilities for the program of professional training in speech-language pathology and/or audiology must include equipment, laboratories, and space appropriate to the special needs of this field. The library facilities of the institution must include an adequate variety and number of books, periodicals, and other reference material in speech-language pathology, audiology, and related fields. The ESB will seek assurance of compliance with the following minimum requirement:

7.1 The program must demonstrate that the available instructional materials, equipment, physical facilities, and library holdings are adequate in view of programmatic goals, as well as the program's present and projected size.

GRANT AWARDS PROCESS

Question: Please explain the process by which such grants are awarded.

Answer: Grants are selected for funding on the basis of a national competition. Applications are first screened by program staff to determine that they meet minimum requirements of the authorizing legislation and regulations. They are then subjected to peer review, where experts in the field evaluate all applications against published selection criteria and the quality of applicant's presentation. Finally, the results of the staff and peer panel evaluation are reviewed by program administrative staff to assure that all procedures have been fairly and appropriately carried out. Final awards are approved by the Assistant Secretary for Special Education and Rehabilitative Services.

EFFECT OF STUDENT AID REDUCTIONS

Question: What effect would the administration's proposed 1986 reductions in Federal student aid programs have on undergraduate and graduate programs in special education?

Answer: We do not believe that the administration's proposed reduction in Federal student aid programs would have a significant effect on undergraduate and graduate programs in special education.

Question: If these proposals for student aid were put into effect, would this not increase the need for special education personnel development grants?

Answer: A large portion, if not most, of the funds used under the Special Education Personnel Development program are not used for direct student support, but for curricula support. Also, the funds that are used for student support are not required to be distributed based on need. The relationship between Federal student aid programs and the Special Education Personnel Development program is, therefore, not as close as it would otherwise seem. It is interesting to note that under the current system, direct student support provided under the Special Education Personnel Development program can actually reduce the determination of need for financial aid, and thus reduce funds which might be available for these students under other Federal programs.

EARLY CHILDHOOD EDUCATION

Question: As you know, the first area of emphasis of the Early Childhood Education program is to develop programs which show promise of promoting a comprehensive and strengthened approach to the special problems of handicapped children from birth through 8 years of age.

We understand that the evaluation of the program concluded that 80 percent of the demonstration projects funded under the program continued after Federal funding ceased.

That's the reason you propose to freeze the program until 1990 or beyond?

Answer: Estimates for the Early Childhood Education program in the President's budget are maintained at the 1986 level, rather than increased, to achieve deficit reduction.

DEAF-BLIND CENTERS

Question: You are requesting a $3 million -- 20 percent -- reduction in the Deaf-Blind Center program on two grounds: the decrease would help to reduce the deficit; and these funds are used to support services to children for whom States are responsible. Have States not been serving these children under the Education for All Handicapped Children Act and, therefore, been out of compliance with the act?

Answer: States are required to ensure that all handicapped children, including those who are both deaf and blind, are provided access to a free appropriate public education. This does not necessarily mean that they have to provide that education themselves. To the extent that Deaf-Blind Centers provide this education, the States have not been required to provide these educational services themselves.

Question: Do you not believe that these centers are providing valuable services which may not be available through P.L. 94-142?

Answer: We believe that some projects provide some services which are not currently available within their project areas. It is not possible to project the extent to which these services will be provided when the States assume the burden for serving those children for whom they are responsible. The technical assistance and training services, and services to children who are not the responsibility of the States to educate would continue to be provided by the centers.

Question: Section 622 of P.L. 98-199 provides funding for serving deaf-blind children. According to the final regulations for that section (34 CFR Part 307), this money is to be used primarily to provide services and technical assistance to deaf-blind children and youth who are not served under Part B. After all service and technical assistance needs are met for non-Part B children, States are allowed to use this money to provide services to deaf-blind children already being served by Part B.

I understand that 40 percent or more of money under section 622 is currently being used for Part B deaf-blind children. At the same time there is relatively little money to serve severely handicapped children whom States are not mandated to serve under Part B, such as 0-3 year old deaf/mentally retarded children in States without a 0-3 mandate.

What would be the pros and cons of expanding the definitions used in section 622 to allow money to be used to serve non-Part B severely handicapped as well as deaf-blind?

Answer: Funds are provided first for services to children who are not required to be served by the States and, second, for technical assistance in providing services to all children. Funds not used for these two priorities may be used for services to children the States are required to serve.

There are several potential rationales for broadening this program to serve other severely handicapped children. The population of deaf-blind and other severely handicapped children and youth have been found to be very similiar. This fact has been repeatedly pointed out through numerous research and demonstration projects. Teaching materials appropriate for use in educating deaf-blind and severely handicapped children, consequently, have been found many times to be identical.

On the other hand, there is a concern that broadening the definition of those eligible to participate under the deaf-blind program to include other severly handicapped children and youth would reduce the funding available to the deaf-blind and detract from the national visibility of this program.

SPECIAL STUDIES

Question: You have indicated the great extent to which the data from the studies conducted under the special studies activity have been useful in many respects. How do you propose to reduce this program by $1.2 million -- or 37 percent -- from the 1985 appropriated level? Apparently, several discretionary programs would be eliminated. Which are the discretionary programs that would be eliminated?

Answer: The reduced funding level in the 1986 request for Special Studies would result in the elimination of funding for cooperative evaluation agreements with the States.

Question: Would any funds be affected which have been made available to States for studies through cooperative agreements?

Answer: Awards made for cooperative agreements with States in 1984 and 1985 are fully funded, and do not require continuation funding from 1986 resources.

Question: In light of your reported lack of data on which to target training funds for personnel preparation, couldn't you use more funds in this account?

Answer: Additional funds are not required. The Special Education Personnel Development activity will be evaluated using fiscal year 1985 funds available under the Special Studies budget activity.

MEDIA SERVICES AND CAPTIONED FILMS

Question: This Committee has long supported the Department's efforts to help hearing impaired persons enjoy the information, education and entertainment benefits of television by means of closed-captioning of television programs. We have attempted in our appropriations measures to ensure that adequate funds will be provided to accomplish more program captioning, continuing development of the decoders used to view the captions, and encouraging the sale of these decoders to those who need them. We are anxious to see more rapid progress in these matters.

As you know, we made specific reference to the need to provide for development, and last year's appropriation bill specifically earmarked $1.5 million for this purpose.

Last October 5, after this Committee and the Congress had provided for this decoder development, six Senators, including this Chairman, wrote to you and asked that you expedite this development. You responded on November 19 explaining that you would make every effort to expedite the process. In the meantime, this Committee made numerous inquiries trying to determine the cause for delay in getting out the request for proposal. Finally, five months later, the project has just now been announced; and, assuming someone will apply, you plan to award the funds next month for delivery of new decoders in September. That's five months for you to do the preliminary paperwork, but four months for someone to figure out the design, get the thing manufactured and have the decoders delivered to the stores.

Of course we are grateful that it now appears to be off the ground and are hopeful that the deaf will have lower-priced decoders available to them this fall.

Who on your staff is responsible for monitoring progress in this area so that my staff can keep in touch with them and report to me about it?

Answer: All captioning projects are funded and monitored by the staff of the Captioning and Adaption Branch located in the Office of Special Education Programs. The Branch Chief is Dr. Malcolm J. Norwood.

Question: What do you think we ought to do to avoid a repeat of this experience and to ensure that an adequate supply of these decoders will be available in the years ahead?

Answer: It will be important to closely monitor the marketing of the second generation of decoders. Federal funding has increased the number of captioned programs. The result has been increased decoder sales. The current subsidy for a second generation of decoders is expected to reduce the cost. If this is the case, decoder sales may result in enough momentum to continue the manufacture of additional units without further subsidization. Through monitoring the progress of the sales, we will be able to predict in advance what preparations, if any, will be needed to ensure an adequate supply.

Question: How much do you intend to allocate for captioning next year?

Answer: For all captioning activities, the amount to be allocated is approximately $10.0 million. The projected breakdown is as follows:

- Closed captioned television ($3.7 million). These funds will continue to allow hearing impaired citizens access to real time captioning of national news and public information programs as well as movies, specials, mini-series and other programs.

- Captioned films for the deaf ($4.0 million). Based on recommendations from educators and consumers, educational and theatrical films will be purchased and leased for inclusion in the distribution system.

- Distribution of captioned films ($1.2 million). Captioned educational films are distributed through 58 depositories located throughout the Nation for use in classrooms. Theatrical films are also distributed to deaf people through this project.

- Captioning processes ($0.7 million). This project provides for the evaluation and selection of educational films and theatrical films. Classroom teachers, including those who are hearing impaired, participate in reviewing and recommending new educational titles to be captioned. Hearing impaired consumers participate in a similar process for the selection of theatrical subjects.

- Impact of captioning on learning ($0.4 million). Projects will be funded to determine the educational impact of captioning by examining its instructional use, influence on incidental learning, impact on reading and language development, and influence on special learning and other potential applications.

MEDIA SERVICES OUTREACH

Questions: It seems to me that "getting out the word" about captioning and decoders is almost as important as getting out the product. I doubt that many hearing-impaired persons know about these things. It would seem logical that this may be a very useful place for some Federal support. What plans do you have to increase public awareness in this?

Answer: Under a previous contract to provide real time captioning of national news, provisions were made to promote the use of closed captioning by hearing impaired persons. Among the activities of this project were advertisements in national magazines such as TIME and PEOPLE. These advertisements did much to promote awareness of the availability of closed captions and had some impact on decoder sales. Since that time, the National Captioning Institute has been promoting closed captioning through newsletters, press releases, advertisers who sponsor programs, and through other publications. Most recently, the ABC network has been showing a TV spot periodically that explains the system--including the use of decoders--using both sound and open captions. With this type of approach, it also appears that the private sector is attempting to increase awareness on its own.

PRIVATE SECTOR SUPPORT FOR CAPTIONING

Question: We assume it is our interest and the Federal Government's interest to increase the number of homes with decoders, and the number of programs being captioned, and that this will be more and more attractive as a market for commercial networks and sponsors.

To what extent is the private sector now supporting captioning, and what can we expect in the future?

Answer: Because captioning serves a low incidence population, it is not considered a commercial commodity. However, the Federal commitment to create access to television for deaf Americans has resulted in a unique public/private sector partnership. The private sector, including networks, advertisers, foundations, and donations from consumers, funds approximately 50 percent of the closed captioning now available. Federal funding provides the remaining 50 percent. We hope that a low cost decoder, along with a continuing demand for this service and increased public awareness, will encourage private manufacture of more decoders and additional private captioning of programs and films.

Question: It is reasonable to expect Federal support of the captioning for public TV programs, but one would think that the commercial programs will pay for themselves. Is this the case now?

Answer: Experience over the years has made it clear that captioning is an important service to deaf Americans who otherwise cannot benefit from mass media. It is also clear that the private sector will not provide this access on its own. To obtain this kind of support requires a substantial number of consumers, far more than the low incidence deaf population. But, to its credit, the private sector has augmented the Federal commitment. This is a unique cooperative effort that is likely to continue.

CAPTIONING FOR SCHOOL PROGRAMS

Question: Have you given attention to the special needs of schools which ought to be able to use captioned TV lessons for some of their students?

Answer: We have been providing captioned educational classroom films for many years, complete with lesson guides and reproducible support materials to classroom teachers and their students. Some of these films include TV programs which were originally uncaptioned, but captioned later for classroom use. With the growth of captioned television and the increase in the use of videocassettes, we are in the process of exploring the best ways to make these programs available to classrooms for educational purposes.

CAPTIONING FOR NONHANDICAPPED POPULATIONS

Question: Are there other education services which captioning could help, such as literacy or language study?

Answer: As of this time, we have little information regarding the value of captioning as an educational tool for persons who are not deaf or hearing impaired. There has been speculation that captions may help those with reading problems or those who need help with English as a second language. Two or three small experiments indicate that captions may be useful, but no hard data has been collected to significantly demonstrate that captions will definitely improve learning for other populations. During fiscal year 1986, we intend to support some projects to explore the educational impact of captioning on language and reading.

COST EFFECTIVENESS OF MEDIA SERVICES

Question: We are always interested in the cost effectiveness of the projects we support. How can we judge captioning in this regard?

Answer: Federal funds support approximately 35 hours of closed captioned television per week. The cost of captioning a one hour program is $2,200. This amounts to about $4,000,000 per year. About 95,000 decoders have been distributed, which may be used by as many as 350,000 persons. This works out to about $42 per year per decoder for captioning or about $11 per viewer per year.

Question: How do you judge the other activities you fund in the handicapped media area?

Answer: We have no specific data on the cost effectiveness of our activities. However, we believe that the very nature of the projects suggest that they are cost effective, since they are targeted on identified areas of need. For example, the Local Education Agency/State Education Agency Communication Aids Project is designed to identify exemplary SEA and LEA practices using communication aids with handicapped preschoolers through transition aged children. Once identified, these practices will be disseminated for use throughout the Nation's schools, thereby eliminating use of inappropriate communication aids, the need to search for appropriate aids and costly duplication of development costs.

The benefits of other projects must be judged more in terms of expected human outcomes. Projects using technology to supplement existing social skills curricula to train moderately handicapped students will assist these students in accomplishing successful transitions from school to postsecondary and/or competitive employment settings. The contract for identifying and recognizing effective uses of technology in educating handicapped children is expected to do much to enhance the successful delivery of special education and related services to these children.

CAPTIONED VIDEO CASSETTES

Question: I am aware of the great increase in the use of video cassettes for TV viewing. Are many of these being captioned for the deaf?

Answer: The home video market has been providing closed captioned versions of video cassettes of some titles. We do not know how many subjects are released to the home video market for rental or purchase, but expect that the percentage of titles that are closed captioned is relatively small.

Question: Who pays for that?

Answer: The companies that release titles to the home video market pay for the closed captioning of their products.

Question: Are these cassettes more cost-effective than the traditional captioned films?

Answer: The cost of captioning a video cassette is approximately the same as the cost of captioning a motion picture film. We are aware that many schools, programs for the deaf, and deaf consumers are beginning to acquire video cassette recorders (VCRs) and are requesting that video cassette versions of captioned films also be made available. However, the number of VCR users are still small. We are presently examining ways of transferring captioned films to video cassettes so that programs can serve the needs of all users. Over time we anticipate that distribution costs will be reduced, since a film may weigh as much as 24 pounds and a cassette approximately 2 pounds. Shipping costs will therefore be significantly less.

MAINSTREAMING

Question: Recently several reports came across my desk which analyzed and drew conclusions about special education programs in this country. As Assistant Secretary of Special Education and Rehabilitative Services, what is your position with regard to the following issues and your comment regarding these excerpts from several reports:

Excerpt 1:

> "The normal schoolroom, whose primary purpose is group academic instruction, does not lend itself to serving handicapped children. The classes are too big; the teacher's time and attention must be divided among all the children; having to devote an inordinate amount of time to a few detracts from the whole."

Do you agree that efforts to mainstream handicapped children are generally inappropriate?

Answer: There is no compelling evidence that integration of handicapped children detracts from the performance of non-handicapped children. In fact, the available evidence clearly indicates that systematic integration procedures do not adversely affect the academic performance of nonhandicapped learners. A recent study at the University of Pittsburgh of a systematic integration program indicated that general education students in integrated classrooms made expected academic gains, and that mainstreamed handicapped students consistently outperformed handicapped students with comparable special education classifications who were placed in self-contained special education programs. This pattern of mainstreaming's impact was found for all three categories of outcomes (performance, attitudes, process) that were examined across grade levels, subject matter areas, and types of research design.

Excerpt 2:

"One of the most costly and unreasonable requirements of Public Law 94-142 is that school districts pay for the related services accompanying mainstreaming efforts. These include eliminating architectural barriers (installing elevators in some cases), hiring specially trained personnel (such as psychologists, physical therapists, therapeutic recreation specialists, diagnostic personnel, and supervisors), catheterizing students, paying for psychotherapy, and subsidizing private school tuition for these children who cannot be taught in the public school."

Do you agree that these are unreasonable requirements?

Answer: No, these are not unreasonable requirements. These related services are necessary if handicapped students are to benefit from the special education which is their right under law. The Education for All Handicapped Children Act (Public Law 94-142) was passed to guarantee access for handicapped children to the educational opportunity to which all children are entitled. For certain children, physical access to the school facility must be provided in order that they may be educated. The statute also requires that transportation and "developmental corrective and supportive services" be provided to assist handicapped children to benefit from the special education they need, regardless of whether a child is "mainstreamed". School districts may use any source of funds available to them to meet the law's requirements (State, local, Federal or private). It is encouraging to see many school districts entering into cooperative arrangements with non-educational agencies to obtain funds or services.

Excerpt 3:

"States and localities are crippled by the excessive costs of educating handicapped children in the 'least restrictive environment.'"

Do you agree that the States have been over-burdened by the cost of educating children in the "least restrictive environment"?

Answer: We have no evidence to suggest that States have been over-burdened by the costs of educating children in the "least restrictive environment". Data from the Rand Study (1978-1979) indicated that it is no more expensive, and perhaps even less expensive, to educate a handicapped child with resource room services appended to his/her least restrictive, regular classroom placement, than to serve that child in a more restrictive, separate facility placement.

Updated information on the costs of the delivery of special education and related services to all types and ages of handicapped children will be obtained in an expenditure study being conducted by Decision Resources, Inc. This information will be collected during school year 1985-86.

EFFECT OF SPECIAL EDUCATION REQUIREMENTS ON NONHANDICAPPED

Excerpt 4:

> "Laws for the education of the handicapped have drained resources from the normal school population, probably weakened the quality of teaching, and falsely labeled normal children. In a misguided effort to help a few, the many have been injured. Yet the handicapped constituency displays a strange lack of concern for the effect of their regulations upon the welfare of the general population."

Do you agree the requirements of the Education of the Handicapped Act have weakened the education received by nonhandicapped children?

Answer: We have seen no good evidence that efforts to improve educational opportunities for handicapped children have had any significant deleterious effect on the education of nonhandicapped children. A few recent reports have advanced this position, but we believe the data reported were grossly misinterpreted in terms of the conclusions of original data sources.

Given a fixed resource base and the well demonstrated fact that the cost of educating handicapped children is greater than for the nonhandicapped populations, a certain logic for this position exists. However, this position is not tenable for a number of reasons:

- The basic educational philosophy in the United States is not equal expenditure but equal opportunity for education.
- The resource base is not totally fixed.
- In general, both Federal and State resource distributions have been designed to provide for the excess costs of special education with minimal adverse effect on general education.
- The key point in this issue is that every child is entitled to a quality education. If it costs more to teach Braille reading then print reading, or more to teach vocational skills to a mentally retarded youth than one who is culturally deprived, so be it. Society demands that this commitment be made.

In short, the argument presented is specious. Whether through Federal, State, or local resources, we must assure that all children receive equal educational opportunities independent of the cost of providing such opportunities.

STAFFING IN OFFICE OF SPECIAL EDUCATION PROGRAMS

Question: In the last 18 months, two directors of the Office of Special Education Programs have resigned. Dr. Cullar, who resigned two weeks ago after serving for only 12 months, reportedly stated that she was resigning because the arrangement she had been offered by the Office of Special Education and Rehabilitative Services to continue at the Office of Special Education Programs was personally and professionally unacceptable. In February of 1984, Gary McDaniels unexpectedly resigned after only 6 months. I also understand that Lee Greenwald, Special Education Director for the Madison, Wisconsin schools, has rescinded his original acceptance to head the Division of Assistance to States -- leaving another key position vacant which has already been unfilled for several months.

Why does it appear to be difficult to recruit and retain top quality professionals to administer our Nation's special education programs?

Answer: Garry McDaniels, a career civil servant, also had private business interests, both locally and out of State. As these interests grew and required more of his time, he decided to retire from civil service and devote full time to his business ventures. Wendy Cullar was hired on a one-year Intergovernmental Personnel Agreement (IPA). This is a cooperative agreement between two agencies whereby they share expertise and expenses. At the end of her IPA assignment, Dr. Cullar was offered a three-year appointment. She declined this in favor of returning to her home agency. Lee Gruenwald, among other candidates, was interviewed for the position of Director of the Division of Assistance to States. He was offered the position, but did not accept it. He stated his reasons were personal and among them was a commitment he had made to the Wisconsin School Districts. Dr. Gruenwald indicated that he might be interested in the position at a future date.

The staff attrition rate for Office of Special Education and Rehabilitative Services in 1984 was 3.2 percent, which is considerably lower than the Departmental rate of 6 percent for the same time period.

FEDERAL CONTRIBUTION

Question: As recently as last year, the Republican Party Platform pledged to "work toward providing Federal funds to State and local governments sufficient to meet the degree of fiscal participation promised in the law." The "degree of fiscal participation" promised in Public Law 94-142, is 40 percent of the average per pupil expenditure (APPE) for each handicapped child served by the State. Yet, the proposed fiscal year 1986 budget for State grants is equal to only 7 percent of the APPE. Furthermore, the fiscal year 1986 proposed level is 10.3 percent less than the fiscal year 1985 level when measured in terms of APPE. How do you reconcile the pledge to "work toward" the promised level of 40 percent of APPE?

Answer: We believe that the fiscal year 1986 budget request represents an appropriate level of Federal fiscal participation, given the severe fiscal constraints being faced by the Federal Government. The 40 percent figure refers to the maximum amount of the national average per pupil expenditure (APPE) which States may receive under Part B of the Education of the Handicapped Act. The law provides that when sums appropriated are not sufficient to pay in full the amounts which States are entitled to receive, the appropriated amount will be ratably reduced. Measured in terms of 1986 projected APPE, the contribution toward State and local costs is 8.5 percent. The 7 percent figure is the amount of excess cost contributed by the Federal Government, not APPE.

SECONDARY SCHOOL AGED HANDICAPPED CHILDREN

Question: Last year you testified before this Committee that you were confident, "that there are few unserved pockets of children." But, according to your 1985 report to Congress, if we exclude speech impaired children, almost 3 million 6 through 17 year old handicapped children and youth are served by Public Law 94-142. However, 69 percent of these children are in the 6 years from ages 6 through 11, and only 31 percent are in the 6 years spanning 12 through 17. I would expect it to be much closer to 50/50. These data suggest that over one million secondary aged handicapped children are not being served. What happens to them?

Answer: The preliminary child count data for the 1984-85 school year indicate a total of 1,950,000 children in the 6 through 11 age range and 1,660,000 handicapped children in the 12 through 17 age range. This count is the first to include separate categories for these age ranges and is the most accurate data currently available. Speech impaired children are included in these figures, and therefore, one would expect a somewhat higher figure for the 6 through 11 age range than the 12 through 17 range. In this count, handicapped children aged 6 through 11 represent 54 percent of the 6 through 17 total, while the 12 through 17 age range represents 46 percent of the 6 through 17 total. The data suggest that the split is very close to 50/50, especially if one excludes the speech impaired count.

Question: Do they drop out? Are they identified?

Answer: There are data which suggest that substantial numbers of handicapped children do drop out of school. A recent study conducted by the University of Pittsburgh found a drop-out rate of over 50 percent for learning disabled students during the secondary school years. We are providing additional funding to researchers to identify methods of predicting which children will drop out, with the goal of developing methods geared toward preventing students from dropping out. In addition, a longitudinal study is planned which will examine the numbers of children who exit school without completing their educational program and the reasons associated with the decision to terminate their school enrollment.

Question: What are you doing to identify and meet the needs of these children?

Answer: At this point, the major efforts are being directed at improving the quality and relevancy of secondary school programming for handicapped children. This year, Special Education Programs will fund a research institute focusing on secondary age handicapped children. We also continue to fund the development of intervention models for the secondary level through our demonstration projects.

INTERAGENCY COLLABORATION

Question: Several different Federal agencies provide funding for research, training, services, and technical assistance programs designed to improve the lives of handicapped people. The Administration on Developmental Disabilities (ADD), Maternal and Child Health (MCH) grants, the National Institute of Mental Health (NIMH), the National Institute of Child Health and Human Development (NICHHD), the Administration on Children, Youth and Families (ACYF), and the National Institute of Neurological and Communicative Disorders and Stroke (NINCDS) are all addressing many of the same issues as the Office of Special Education and Rehabilitative Services.

What are you now doing and what are your plans for the future to ensure that fragmentation, duplication, and inefficient use of resources addressing similar issues does not occur. In particular, are you planning increased emphasis on collaborative priority setting, and funding?

Answer: We are limited in our ability to enter joint funding arrangements with other Federal agencies under the Education of the Handicapped Act. However, we are attempting to reduce fragmentation and duplication through coordinating bodies such as the Interagency Committee (and subcommittees) on Handicapped Research, the Interagency Committee on Developmental Disabilities and other informal working groups with other agencies.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

TEXTBOOKS FOR THIN MARKET AREAS

Question: Mrs. Will, the National Commission on Excellence recommended the development of textbooks in the "thin market areas," such as learning disabled and disadvantaged students. How does the budget address this?

Answer: The proposed budget allows for the continuation of several activities which address this issue. Projects under the Media Services and Captioned Films program will continue to develop supplemental materials and adapt existing instructional textbook systems in wide use in regular classrooms to make them more appropriate for teaching mildly handicapped students, including those who are learning disabled. Some of these materials are also expected to be useful in teaching disadvantaged students. In addition, projects funded in other programs develop curriculum materials as by-products of their individual grant awards. Such products generally meet "thin market area" needs.

LEARNING DISABILITIES

Question: Under the basic State Grant Program -- page 198 in the Justifications -- you indicate concern over the substantial growth in the number of children classified as learning disabled. In 1984, these children accounted for 44 percent of those served under the program. Is this increase an indication that States are better able to identify such children or does it represent a lack of incentive within the regular education community to serve children requiring remedial services?

Answer: The number of children identified with specific learning disabilities has increased considerably over the last seven years. There are undoubtedly multiple factors that have contributed to that increase, including the two factors suggested by the question. Other factors include the following:

- Increased public information and recognition of the existence of this disability have encouraged parents and teachers to assist children with specific learning disabilities, and have resulted in higher referral rates to special education programs.
- The capacity of special education programs has expanded during the past 10 years on both the elementary and secondary levels.
- Proper identification of children with specific learning disabilities has increased due to better assessment tools.
- The generality of the criteria which are components of the definition of learning disabilities allow broad eligibility.
- Some assessment teams lack understanding and training to make accurate diagnoses.

Other factors have also contributed to the increase, such as the fact that a label of learning disabled is less stigmatizing and, therefore, more acceptable to parents than some other categories of handicapping condition.

SERVICES TO PRIVATE SCHOOL STUDENTS

Question: How much of the amount proposed under State grants will be provided to private schools under the new authority in the 1983 amendments?

Answer: We have not yet determined how many, if any, States would be subject to the bypass provision and, therefore, cannot identify an amount of funds related to its implementation.

EARLY CHILDHOOD EDUCATION -- PRESCHOOL INCENTIVES

Question: Mrs. Will, you reported last year that a substantial number of people at the State level are not convinced that early childhood training for the handicapped is effective, in spite of research which proves otherwise. What's been done since then by the Department to disseminate to States the success of programs such as Preschool Incentive Grants?

Answer: The Preschool Incentive Grants program is a formula grant program which is intended to provide an extra financial incentive to States in order to encourage them to provide early education services to States. The effectiveness of this program as a provider of incentives to expand services is questionable. However, this does not detract from the overall benefits which result from early childhood education. With regard to disseminating information on the benefits of early childhood education, the Early Childhood Education program funds a technical assistance effort which disseminates information about early childhood programs, research and efficacy data, and produces publications, as well as a newsletter. This includes two organizations, the Technical Assistance Development System (TADS) and the State Technical Assistance Resource Team (START). TADS publishes a book each year containing profiles of all currently funded projects. In addition, the Early Childhood Education State Plan Consortium has a regional advisory board and holds a formal meeting once a year. It selects major topics of concern for sharing of information and discussion at this annual meeting. Use of Preschool Incentive Grant funds, as well as accurate measures of effectiveness and other issues have been considered at the Board and national meetings.

Early Childhood Education demonstration projects also have dissemination built in as part of their workscope. Twenty-three projects have Joint Dissemination Review Panel (JDRP) status.

Research institutes usually first publish work in journals, then produce reports which summarize the work that has been done. These reports then are rewritten in less technical language for practitioners and parents.

Special Education Programs staff also make presentations at professional meetings, and provide technical assistance directly to State program administrators.

Question: Given the significance of such early child training, why do you want to freeze support for this program at its current level through 1990?

Answer: Estimates for 1987-1990 for Early Childhood Education are maintained at the 1986 level, rather than increased, to achieve further deficit reductions.

INNOVATION AND DEVELOPMENT

Question: The budget request includes $16 million for Innovation and Development programs next year. How many projects do you plan to support?

Answer: We expect to support approximately 180 projects in fiscal year 1986, the same number as the previous year. About one third of these will be new awards.

Question: What steps do you take to disseminate the results from these projects?

Answer: Research results are disseminated through a number of mechanisms. These include the following:

- Research integration projects supported under the Innovation and Development program develop research syntheses and meta-analyses to enhance the cumulative effect of research and to assist the research community in systematically building a research base.
- Research results are disseminated through the Educational Resource Information Center (ERIC) operated by the Council for Exceptional Children.
- Research results are also disseminated through Office of Special Education technical support networks for specific user groups, including the Regional Resource Centers, Technical Assistance to Early Childhood Projects, the Center for Technology Information Exchange, the Parent Information Center, and the two information clearinghouses under the Recruitment and Information program.
- Finally, research resulting from the research institutes is disseminated widely in professional journals and through conferences.

TRANSITION SERVICES

Question: Mrs. Will, as you know, the 1983 amendments authorized a new program to help handicapped students make the transition from school to work. This is an area which needs to be recognized in a significant manner. What kinds of activities will be funded through this new initiative next year?

Answer: In fiscal year 1986, we will be supporting the following kinds of activities under the Secondary and Transitional Services Program:

- Grants for cooperative models will promote effective interagency policies, agreements, and services designed to help handicapped youth make the transition from school to work.
- Research projects focusing on secondary-level programs for handicapped children and youth, are aimed at developing replicable models of curriculum design, program organization, employer involvement, and instructional methods.
- Service demonstration models develop innovative programs to assist secondary and transitional youth in developing appropriate employment skills.
- Research institutes collect and analyze demographic data regarding this population and conduct long-term programmatic research into the effectiveness of various special education interventions designed for handicapped children and youth.

WHITE HOUSE WORKING GROUP

Question: I understand you're a member of the White House Working Group on Handicapped Concerns. Tell us how the Group is coordinating policy among agencies and how the education budget in particular reflects this.

Answer: The White House working group is currently inactive, and therefore has had no impact on the education budget. However, interagency policy coordination is achieved through a number of mechanisms, including the Health and Human Services/Education Interagency Committee on Mental Retardation, the Interagency Committee on Handicapped Research, and other informal coordinating groups currently in operation.

COMPLIANCE MONITORING

Question: How much of the $342,000 estimated for travel next year under the Office of Special Education and Rehabilitative Services will be used for on-site monitoring visits?

Answer: Approximately 10 percent of these funds will be used for on-site monitoring visits.

Question: How many visits are planned in 1986?

Answer: There are 14 comprehensive compliance reviews planned for 1986.

Question: How large is your monitoring staff?

Answer: There are 15 professionals and 4 clericals currently on the monitoring staff. We are in the process of filling 2 professional vacancies which would bring the total staff to 21.

SPECIAL EDUCATION PERSONNEL DEVELOPMENT

Question: Mrs. Will, page 227 of the budget justification indicates that the Department is --- and I quote: "...working to better identify the shortage, and how to focus resources on relieving the shortage." I understand a report addressing this issue is already available entitled "Personnel to Educate the Handicapped in America: Supply and Demand from a Programmatic Viewpoint." Wasn't this funded by the Department? If so, tell us what the report recommended and the basis for your objections.

Answer: That report was done by the University of Maryland under a grant from the Department. The strength of the report is not in its recommendations for solving problems which confront us, but in its identification of problems. We have been able to use information on some of the problems in establishing funding priorities. However, with regard to funding levels in the Special Education Personnel Development program, the report states that, "...the Federal Handicapped Personnel Preparation Grant Program is not, at its current level of funding, sufficient to support large-scale solutions to the complex problems of manpower supply and demand." We do not believe, based on our own information and other information provided in the report, that the Special Education Personnel Development program is an appropriate vehicle for providing "large-scale solutions to the complex problems of manpower supply and demand." For example, a recent study of rural education indicated that low salaries, the undesirability of living in rural or remote areas, and burnout were the three major perceived reasons for high turnover of positions in rural areas.

We may be able to do some things in our Personnel Development program to lessen the impact of these factors, however, we cannot change the underlying causes.

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Rehabilitation Services and Handicapped Research

STATEMENT OF MADELEINE C. WILL, ASSISTANT SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERVICES

ACCOMPANIED BY:
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PREPARED STATEMENT

Senator Weicker. We still have a long way to go this morning, so I want to keep on moving along. You are also testifying, Madeleine, on behalf of rehabilitation services and handicapped research.

In the interest of time, we will insert your prepared statement in the record and then you may proceed.

[The statement follows:]

STATEMENT OF MADELEINE C. WILL

I appreciate this opportunity to discuss the fiscal year 1986 budget request for the Rehabilitation Services and Handicapped Research account, which includes activities of the Rehabilitation Services Administration and the National Institute of Handicapped Research.

The total requested for this account is $1.2 billion, which is $16.9 million less than the 1985 appropriation. Our 1986 budget proposal freezes funding for most activities at the current level to help control the Federal deficit. The proposed savings result from reducing support for some discretionary programs and from terminating another.

State Grants

We propose to freeze Vocational Rehabilitation State Grants at the 1985 appropriation level of $1.1 billion. This level would enable States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to serving severely handicapped individuals.

Client Assistance

We are requesting $6.3 million for the Client Assistance program, which is the same as the 1985 appropriation level. These funds would enable States to continue advising clients of benefits available to them under the Rehabilitation Act and of their rights and responsibilities in connection with those benefits.

Service Projects

Our request for Service Projects is $29.3 million. This is $3.5 million less than the 1985 appropriation level. We are proposing to freeze special projects for the severely disabled, migratory worker projects, and service grants to Indian tribes at their 1985 levels. These projects provide services to underserved or unserved groups of disabled persons. Projects with industry (PWI) would be continued at an annual activity level of $13 million. No reduction in actual activity would occur, because the additional $1.4 million that was appropriated for PWI in 1985 was used to bring all projects onto the same funding cycle, not to support new activity. No funds are requested for special recreation programs. This activity is more appropriately financed by local governments, private not-for-profit organizations, local civic organizations, and corporate foundations.

Helen Keller National Center

We are proposing to freeze funding for the Helen Keller National Center at the 1985 level of $4.2 million. This level would provide continued support for the additional specialized staff hired in 1985 and for other modifications made in Center programs.

Independent Living

We are proposing to freeze funding for Independent Living Centers at the 1985 appropriation level of $22 million. All of these funds would be available for new competition in 1986 under the Part B center program.

No funds are requested for the Part A State grant program in 1986. Although our request to reprogram the 1985 Part A funds into the existing Part B program has been denied, we oppose continuation of the State grant program in 1986. We do not believe that new spending should be initiated for a formula grant program at a time when serious efforts are needed to help control the Federal deficit. We also believe that any decision to fund the State grant program is premature until the congressionally mandated evaluation of the existing center program has been completed. Once that evaluation has been done, we will all be in a better position to make decisions about the appropriate Federal role and the appropriate structure of Federal support for independent living.

Training

The request for Training is $15 million, a reduction of $7 million below the 1985 appropriation level. These funds would be used to cover continuation costs in the various disciplines and the other training categories, including the continuing education, in-service, and interpreter training programs. We propose to use 1986 as a transition year pending completion of a shortage-based allocation system. Foregoing new awards in 1986 would enable us to allocate a higher proportion of 1987 training funds for new projects established to address identified personnel shortages.

National Institute of Handicapped Research

We propose to freeze funding for the National Institute of Handicapped Research at the 1985 appropriation level of $39 million. The 1986 request would allow the Institute to continue a major research program addressing significant problems of disabled individuals, including the following activities: research and training centers, rehabilitation engineering centers, research and demonstration projects, utilization and dissemination activities, field-initiated research, research fellowships, and research training.

Evaluation

Our request for Evaluation is $600,000, a reduction of $1.4 million below the 1985 appropriation level. The funds requested for 1986 would provide for follow-up to completed evaluations and for limited new starts. We need time to complete the very large evaluation programs that we have funded in 1984 and 1985, before we can use additional funds efficiently or effectively.

Mr. Chairman, I will be pleased to answer any questions you or the members of your committee may have.

Biography of Madeleine C. Will

POSITION : Assistant Secretary for Special Education and Rehabilitative Services

BIRTHPLACE AND DATE : Hartford, Connecticut, August 9, 1945

EDUCATION : Hartford College for Women, 1965, A.A.
Smith College, 1967, B.A.
University of Toronto, 1969, M.A.

EXPERIENCE

Present : Assistant Secretary for Special Education and Rehabilitative Services

1982 : Member, Maryland Department of Mental Retardation and Developmental Disabilities Expansion Committee
1982 : Consultant, Rock Creek Foundation, Silver Spring, Maryland
1981 : Chairman, Government Affairs Committee, Maryland Association for Retarded Citizens
1981 : Founding Member, Real Rights
1979 : Chairman, Government Affairs Committee, Montgomery County Association for Retarded Citizens
1977 : Trustee, Hartford College, Hartford, Connecticut
1977 : Committee Member, Metro Area Council for Public Information and Advocacy
1975 : Board Member, Home Care Services for the Handicapped
1974 : Co-founder, Kensington Nursery School Sheltered Classroom
1970 : Editorial Assistant, American Enterprise Institute

Rehabilitation Services and Handicapped Research

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. Vocational rehabilitation State grants....	$1,037,800	$1,003,900	$1,100,000	$1,100,000
2. Special purpose funds:				
(a) Client assistance....................	6,000	---	6,300	6,300
(b) Service projects.....................	27,900	27,500	32,800	29,300
(c) Helen Keller Center..................	4,000	3,700	4,200	4,200
(d) Independent living...................	19,400	21,000	27,000	22,000
(e) Training.............................	22,000	5,000	22,000	15,000
(f) National Institute of Handicapped Research...........................	36,000	30,060	39,000	39,000
(g) Evaluation...........................	2,000	500	2,000	600
Total........................	1,155,100	1,091,660	1,233,300	1,216,400

SUMMARY OF REQUEST

Mrs. WILL. I am going to try to summarize my statement.

I appreciate this opportunity to discuss the 1986 budget request for the "Rehabilitation services and handicapped research" account, which includes the Rehabilitation Services Administration and the National Institute of Handicapped Research. The total requested for this account is $1.2 billion, which is $16.9 million less than the 1985 appropriation. Our 1986 budget proposal freezes funding for most activities at the current level to help control the Federal deficit.

We propose to freeze vocational rehabilitation State grants at the 1985 appropriation level of $1.1 billion. This will enable the States to maintain their ongoing programs of rehabilitation services to disabled persons and to continue giving priority to serving severely handicapped individuals.

We are requesting $6.3 million for the Client Assistance Program, which is the same as the 1985 appropriation level. This will enable States to continue advising clients of benefits available to them under the Rehabilitation Act and of their rights and responsibilities in connection with those benefits.

Our request for service projects is $29.3 million, $3.5 million less than the 1985 appropriation level. We are freezing projects for the severely disabled, migratory workers, and service grants to Indian tribes at their 1985 levels. These projects provide services to underserved or unserved groups.

PWI, or projects with industry, would be continued at a level of $13 million. No funds are requested for the Special Recreation Program. This activity is more appropriately financed by local governments, private not-for-profit organizations, local civic organizations, and corporate foundations.

The Helen Keller National Center funding would be frozen at the level of $4.2 million. This will enable the center to continue the specialized staff hired and some other modifications made by the center in 1985.

We are proposing to freeze independent living centers at the 1985 level of $22 million. All of these funds would be available for new competition in 1986 under the part B center program.

We had requested a reprogramming of the 1985 part A independent living funds. Congress has denied that reprogramming request. We are in the process of conducting a mandated evaluation of the existing center program. Once that evaluation is done, we will be in a better position to make decisions about the appropriate Federal role and the appropriate structure for Federal support for independent living.

The training request is $15 million, a reduction of $7 million below the 1985 appropriation level. These funds would be used to cover continuation costs in the various disciplines and other training categories.

We propose to freeze funding for the National Institute of Handicapped Research at the 1985 appropriation level of $39 million. This request will allow the Institute to continue a major research program addressing significant problems of disabled individuals, including the following activities: research and training centers, rehabilitation engineering centers, research and demonstration projects, utilization and dissemination activities, field-initiated research, research fellowships, and research training.

Our request for evaluation is $600,000, a reduction of $1.4 million below the 1985 appropriation level. The funds requested for 1986 would provide for followup to completed evaluations and for a few new studies. We need time to complete the very large evaluation programs that we have funded in 1984 and 1985.

I will be pleased to answer any questions you have.

IMPACT OF FREEZE PROPOSAL

Senator WEICKER. You know, sometimes we get bogged down in details and I find we miss the big point. What I find absolutely bizzare, and I mean bizzare, and I think it is the shame of the Nation, is that here we have the statement of the Department of Education as presented by the Assistant Secretary for Special Education and Rehabilitation Services, and Handicapped Research—and our 1986 budget proposal freezes funding for most activities at the current level to help control the Federal deficit on the backs of the handicapped. I am not laying this at your door step—I am laying it at the administration's door step. I think that is one heck of a commentary, I really do, on our society.

How much are we talking about, not very much money, are we?

Ms. CHRISTENSEN. It is a $52 million savings in 1986, but you should note that in the out-years we would go up in this particular program. This is one of the five critical programs that we said we would start increasing in the out-years by including inflation.

Mrs. WILL. It is a small percentage.

Senator WEICKER. I know that it is a small percentage, but there are certain principles that we should not abandon as a Nation, and one is that when the going gets rough, the weakest are the ones that are kept intact.

As I said before, I have enough familiarity in terms of being a committee chairman with what is going on in the other budgets, most particularly defense, and whatever have you, and here we are having to fight like heck for a few million dollars to balance the budget.

Doesn't it seem peculiar to you, Madeleine, with everybody who has come in from NIH, and what you are doing here, we have to balance the budget on the sick, the elderly, the retarded, the disabled?

I think that we are teaching a very bad lesson here, insofar as future generations of Americans are concerned, but that is assuming that the administration is going to get away with it, and I can assure you that I am going to try to see that they don't.

MANPOWER SHORTAGES REPORT

Public Law 98-221 mandates that your office submit each year, beginning with the 1986 budget, a comprehensive manpower shortages report and how the requested funds are to be used to meet such shortages.

You have not only failed to meet your obligation under law, but also use the fact of no such report to justify a cut of $7 million or 32 percent in your rehabilitation training account.

How do you explain your failure to obey the law in this regard?

Mrs. WILL. There has been a delay in developing the manpower report, and the basic reason for that has been that we didn't have a management system for collecting data. We have funded a contract and we expect to have a system that we can use not only to collect data and analyze it, but to make decisions with respect to shortages.

We have completed the manpower report, although it was delayed, and I believe the Commissioner of the Rehabilitation Services Administration indicated to me that the report was sent to Congress yesterday.

Senator WEICKER. It is funny how these things always arrive on the day of the hearing.

SERVICES UNDER STATE GRANT PROGRAM

You explain that the rationale for your proposal to freeze basic State grants at $1.1 billion—the 1985 appropriated level—is based on the need to help control the Federal deficit. In effect, you are reducing the program by about 4 percent—which is probably about the annual rate of inflation for this year.

At the same time, you have indicated that the program has achieved some real progress over the last year, such as a fairly good percentage increase in the number of severely disabled persons successfully rehabilitated.

In light of that, why do you support a decrease in funding for this program at this time, and was the freeze your idea or OMB's?

Mrs. WILL. The appropriations request is always the result of a very long and circuitous process that involves many offices in the Department and the Office of Management and Budget.

It is true; one of the happy trends that we have found this year, and you have alluded to it, is the increase in the number of the severely disabled individuals rehabilitated. One of the reasons that we believe this is occurring is due to more efficient service delivery, better case management, and program initiatives that are leading to the improvement in service delivery and the continued success that we have in the area of rehabilitation closures.

The administration wants to continue to target such things as job placement and job development, with heavy emphasis on ensuring that individuals coming into the rehabilitation system do find employment.

Senator WEICKER. The State vocational rehabilitation directors estimate that 49,000 fewer disabled adults will receive services in 1986 if the State grant is frozen at current levels. Do you agree with that figure?

Mrs. WILL. I don't know that we have any ability to arrive at estimates of that.

Ms. CICHOWSKI. We really don't understand the trends, and, in fact, we have a contract underway now to analyze caseload trends.

Senator WEICKER. Don't you think that we ought to do that before we present the budget? What you are intimating there is that the problem has no relationship to the amount requested. It may come up to 49,000.

Ms. CICHOWSKI. I don't know how they come up with 49,000.

Senator WEICKER. What do you come up with? You obviously had to gauge the figures. These are not just figures in a vacuum, they relate to people. How many fewer people do you think are going to be served?

Mrs. WILL. I think that that is a very difficult question to answer. You must remember that you have a lot of individuals coming into the service system with a variety of disabling conditions falling across the levels of severity. I don't see how one can project the level of service and the cost of those services.

Ms. CICHOWSKI. One of the problems is that the numbers served are not solely a function of the appropriation. Factors such as the nature of the clientele, and the way the State agencies are managing the resources have an effect on caseload trends.

Mrs. WILL. One study that we are undertaking, beyond a look at the caseload trends, also examines incentives that influence counselors in placement. There are many factors that are involved in successful rehabilitation.

Ms. CHRISTENSEN. Basically, the numbers we expect to be serving this year are fairly level compared to last year, and that is what we had anticipated when we developed our budget. As Carol stated, we are conducting a study and we expect that that will be finished in time next year to impact on the budget; that it will give you a better view toward what the request will do compared to what the need is.

EVALUATION OF CLIENT ASSISTANCE PROGRAM

Senator WEICKER. I have been involved in an effort to establish in law a requirement that each State have a Client Assistance Program, and I am pleased that for the first time the administration is not proposing to cut the program.

Yet I am disturbed to see a preliminary recommendation from your office's advisory committee that recommended standards for the program which are both contrary to the interest of law and would, if adopted, severely weaken the new program.

What steps have you taken to rewrite the advisory committee's recommendation, and will you please bring to the subcommittee results of your progress on the client assistance standards and evaluation?

Mrs. WILL. We will be happy to share that with you, Senator. We asked the project contractor to reconvene the advisory committee. A meeting was held and there was an expansion of the participants in that advisory committee, and I think that many of the issues that you raised will be resolved.

We want a balance between ensuring an emphasis on protection and encouraging the use of mediation when possible.

[The information follows:]

CLIENT ASSISTANCE STANDARDS AND EVALUATION

The congressionally mandated evaluation of the Client Assistance Program [CAP] was begun in October 1984. Standards for this comprehensive study, which are required by the act, were developed and then reviewed within the Department. Significant advice was received from the CAP Advisory Committee upon their review of the first draft of the standards. A revised version of the standards was developed and is being reviewed by the committee. Materials will soon be forwarded to the Office of Management and Budget for review and for their approval of survey instruments. The study will be completed in December 1985.

INDEPENDENT LIVING STATE GRANT PROGRAM

Senator WEICKER. As you know, your request to reprogram the $5 million appropriated last year to begin startup of part A to part B of independent living centers was denied for several reasons, one of which was that it would have put part B over the authorized level of $22 million, where its appropriation sits.

Has the funding for part A now been released to the States, or when will the funding be available to the States?

Mrs. WILL. There has been a delay in the release of these funds. We had originally explored with the Office of General Counsel the possibility of making awards under a letters of assurance policy, which we did last year with respect to another program. However, our General Counsel advised us that because State plan approval was required before awards could be made, we did not have that option. As a result, we have sent out drafts of the State plan to the States so that they will be aware of the nature of the information that we require. Yesterday, OMB cleared the State plan, so we will be moving to make those awards as quickly as possible, and that should be this summer.

Senator WEICKER. I have further questions for response to the record. I appreciate your appearance before us. I appreciate my staff working with yours over the past year.

Mrs. WILL. Thank you, Senator.

Senator WEICKER. You are a good soul, and I don't know how you are going to live with these creeps that I heard before you came in here. [General laughter.]

As long as you are there, I know that everything is going to be all right.

Do you have questions?

Senator PROXMIRE. Yes; I have a few, Mr. Chairman.

I want to apologize for bouncing in and out, but you know I have other committee meetings that I have to attend.

AVAILABILITY OF COMMUNITY-BASED PROGRAMS

Mrs. Will, you mentioned last year that States and localities were not making an adequate number of these community-based programs available. Can you tell us what has been done since then to encourage greater participation?

Mrs. WILL. The primary focus this year in the area of rehabilitation services has been the development of an initiative to create supported employment programs. We published proposed regulations, and we anticipate that final regulations will be published soon. We are going to make awards to States to allow them to bring about comprehensive change at the State level in terms of these kinds of programs.

In addition, we are going to fund a center for technical assistance in the area of community-based services development.

Senator PROXMIRE. That is encouraging, but it is still prospective, is it not? In other words, you haven't had any results so far, have you?

Mrs. WILL. We have not made the awards yet, no. But we have talked about the concept, and I think we are finding great interest on the part of people at the State and local levels to begin to make the changes that we are suggesting.

We have created a task force with the Council of State Administrators of Vocational Rehabilitation to examine disincentives that exist to the development of community-based programs, employment programs, and to work with them to ensure that each State agency, and State vocational rehabilitation agency, will attempt to create one supported employment program in each State.

IMPACT OF CUT ON MANDATED EVALUATIONS

Senator PROXMIRE. How do you propose to carry out the studies mandated by the 1984 amendments to the Rehabilitation Act with a 70-percent reduction in evaluation funds?

Mrs. WILL. We expect to be able to collect all the data that we require for annual report purposes, and we are going ahead with those mandated studies. They will be completed, and in addition there may be a small amount of dollars left to fund some small evaluation programs.

Senator PROXMIRE. Even though you have a 70-percent cut, you can still do all of that, and make the evaluations?

Mrs. WILL. Yes; we can.

Ms. CICHOWSKI. Sir, the studies, the mandated studies, were financed using our 1984 appropriation. Probably most of the 1986 appropriation will be used to follow up nonmandated studies or for other discretionary projects we would like to undertake.

NIHR RESEARCH AND DISSEMINATION

Senator PROXMIRE. Let me ask, how many new research projects will be started under your request for the National Institute of Handicapped Research?

Ms. CICHOWSKI. There is approximately $4 million of new money available under our level funding request.

Senator PROXMIRE. What efforts are made to disseminate the research results to State and local rehabilitation organizations?

Mrs. WILL. We have extensive efforts to disseminate information. We have dissemination projects. We have centers, a component of which is the development of monographs and other publications and articles that get state-of-the-art information to the State agencies as quickly as possible.

We fund in-service training through the Rehabilitation Continuing Education Program.

EFFECTIVENESS OF PROJECTS WITH INDUSTRY

Senator PROXMIRE. How successful has the Projects with Industry Program been in providing private sector employment to the handicapped?

Do you have any idea how many handicapped people have been employed since the program began 15 years ago?

Mrs. WILL. It has been a very, very successful program based on cooperation between Government and the private sector. I think that I heard a figure of 10,000 individuals who have been served.

Senator PROXMIRE. Has that been increasing throughout the years?

Mrs. WILL. Yes.

Senator PROXMIRE. Can we do better? That is encouraging, but there are a lot of handicapped people; it is a big country.

Mrs. WILL. I am sorry, sir.

Senator PROXMIRE. It is encouraging. It is a good step in the right direction, but this is a big country, and while it is wonderful to hear that, we would hope that it could be even more.

Mrs. WILL. It is 10,000 each year, but your point still is valid.

We are talking a great deal in the Rehabilitation Services Administration about job placement, job development, training individuals, counselors, job development specialists, because we think there is a perceptible change in attitudes on the part of employers, and attitudes on the part of Americans, in general, with respect to handicapped individuals. We have a whole generation of young people being educated with handicapped youngsters, and many of the attitudinal barriers that existed in previous decades are really falling away. People understand that accommodations can be made inexpensively. They also understand that it is in their interest to manage disability, that our population is aging, and as it ages, employees become disabled, they become arthritic, and businessmen want to maintain the productivity of these members of their staffs. I think that creates a tilt toward the whole idea of accommodating disabled individuals, period, in the work force, in the community, and in residences.

Senator PROXMIRE. It is a very inspiring answer, that is why I hope, while 10,000, as I said—especially 10,000 a year—is a healthy number, it is the kind of thing that should increase greatly.

CHANGES IN RANDOLPH-SHEPHARD PROGRAM

Let me ask you. I understand that the Department completed its analysis of the Randolph-Shephard Act, which as you know provides major job opportunities for the blind.

Mrs. WILL. Yes.

Senator PROXMIRE. Will you be making any changes in that program?

Mrs. WILL. We have not finished our analysis. We are undertaking a program administrative review, which is the most comprehensive kind of evaluation that we do in an area; it is a nationwide look at a program. That is underway, and that will be completed.

We don't have any plans to make any changes in the Randolph-Shephard Program until we have the data. As you know, there has been a court decision at the district level which is being appealed, and those decisions will have to be factored into our analysis.

GAO CRITICISM OF STATE REPORTING

Senator PROXMIRE. I just have one other question. The budget justifications report that the percentage of case closures deemed to be successful rehabilitations rose from 61.7 percent in 1983 to 63.2 percent in 1984.

While I don't mean to denigrate your progress in that regard, I just want to know how accurate that information actually is, in light of the GAO report which claimed that the statistics reported by State and local agencies on a number of individuals successfully rehabilitated, as a result of services provided under the program, are exaggerated.

Are you familiar with the GAO criticism and, if so, how do you answer such a charge?

Mrs. WILL. I haven't seen the GAO report, so I am not familiar with the criticism.

Senator PROXMIRE. That is surprising because usually a GAO report, even before it is disclosed and people ask for it, is checked by the agency. It certainly should have been provided to you.

Nobody in your Department saw it?

Ms. CHRISTENSEN. I am not familiar with it.

Senator PROXMIRE. Will you look at it, and give me, for the record, your reaction to it?

Mrs. WILL. We will provide an answer for the written record.

[The information follows:]

GAO CRITICISM OF PROGRAM STATISTICS

The Rehabilitation Program allows States a good deal of flexibility to administer their programs to meet State needs. To the extent possible, we try to maintain a constancy and a consistency across States in definitions and their application. Nonetheless, in areas involving eligibility and service decisions, a considerable amount of freedom can be exercised by State agencies. To insure their compliance with law and regulations, many agencies have adopted and use the RSA-sponsored case review schedule [CRS]. The CRS helps agencies determine the degree to which they are adhering to agreed upon standards for eligibility and closure, for example. Some agencies have adopted additional procedures developed in another RSA-sponsored improvement effort, the management control project. Among other things, these procedures help agency administrators more easily track down the kinds of practices and abuses cited in the GAO report. In addition, the RSA regional offices conduct State agency management reviews during which State agency practices are examined closely. A national review of program administration has been planned for later this year. This review will examine eligibility determinations, counselor performance appraisals, and, especially, placement of clients into competitive employment.

COMMENTS TO MRS. WILL

Senator PROXMIRE. Mrs. Will, are you George Will's wife?

Mrs. WILL. Yes, I am.

Senator PROXMIRE. My estimation of George's judgment goes up about 1,000 percent. [General laughter.]

I disagree with George on many things, but he certainly had good judgment in selecting a mate.

Mrs. WILL. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much, Madeleine. There will be other questions from members of the committee for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

VOCATIONAL REHABILITATION STATE GRANTS

Question: For each person successfully rehabilitated, do we not save money which would have to be spent on maintenance, welfare, disability and entitlement programs, thereby helping to control the Federal deficit? Wouldn't you rather see these people working and paying taxes than taking a welfare check?

Answer: We certainly believe that, in addition to other important benefits, economic benefits are derived from the rehabilitation program. These benefits include reductions in transfer payments and reductions in the costs for institutional care, as well as increases in a variety of tax receipts. There are costs, of course, associated with attempting to rehabilitate disabled individuals, and those costs must be taken into consideration in decisions on levels of government spending. We believe that level funding is justified for 1986, because serious efforts are needed to help control the deficit. In addition, the six percent increase provided for 1985 more than offset the costs of inflation.

Question: What is your best guess as to how much more funding we would need in fiscal year 1986 to rehabilitate the same numbers of people as in 1985?

Answer: We expect States to serve approximately the same number of persons in 1986 as they serve in 1985, with level funding. We are studying caseload trends now in an effort to develop some ability to make projections based on funding level. However, States serve persons with a variety of disabilities and at various levels of severity. Therefore, it is nearly impossible for us to project what level of services will be needed or what the cost of those services will be.

HELEN KELLER CENTER

Question: The Helen Keller Center provides comprehensive training and rehabilitation services to the most severely disabled and disadvantaged deaf-blind youths and adults. In order "to help control the Federal deficit," you state that funding for the Center is proposed to be frozen at last year's appropriated level of $4.2 million, even though your own figures show that $4.4 million would be required to maintain this year's services next year. What services or activities would you suggest the Center reduce or cease in order to stay within the $4.2 million budget, as you propose?

Answer: In 1986, the Helen Keller National Center will give priority to maintaining its direct service programs of evaluation, rehabilitation and training at its national headquarters. The center will also maintain its emphasis on capacity-building through its regional network. Level funding will not necessarily mean reductions in services or activities. The programs and services of the Center could be maintained at near current levels through management improvements.

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Question: The National Institute of Handicapped Research is to be commended for its very wonderful initiatives and accomplishments over the past year, and hopefully well started for the future. Here again, however, we're looking at a hard freeze--meaning, in this case, that NIHR will have to absorb a $2 million reduction in research or demonstration projects, as it is estimated that it would take about $41 million next year in order to stay where we are this year at $39 million. Do you support this reduction, and which specific research or demonstration program do you suggest should be cut or terminated so that everything can fit into a budget which will be $2 million smaller?

Answer: We are estimating that NIHR continuation costs for 1986 will be about $34.7 million. This means that, of the $39 million requested, approximately $4,300,000 would be available for new projects. No program would be cut or terminated.

PROJECTS WITH INDUSTRY

Question: As the primary Federal vehicle for promoting greater participation of business and industry in the rehabilitation process, I think you would agree that the Projects with Industry program has been very successful. You are requesting a reduction of $1.4 million from the 1985 appropriated amount of $14.4 million. I have chosen this program to illustrate a point. That is that it seems to me that whenever we ask for an evaluation on anything, you take that opportunity to reduce its funding, saying you can't start one new program while you're busy reviewing old ones. Do you really believe the world should stop while we wait for the review?

Answer: The Rehabilitation Amendments of 1984 mandate that all existing projects with industry be funded through September 30, 1986. In fiscal year 1984, 98 projects were continued under this congressional mandate. With the fiscal year 1985 funds, the same 98 projects will be continued through September 30, 1986.

Thirteen of the projects have funding cycles that ended on April 30, 1985. These projects had to be funded in fiscal year 1985 for a 17 month period, from May 1, 1985 through September 30, 1986, in order to meet the congressional mandate. Another 16 projects require funding for periods ranging from 16 months to 12 1/2 months. The $1.4 million increase provided for fiscal year 1985 is being used, therefore, to cover the costs of extending all 98 projects through September 30, 1986.

A funding level of $13 million is proposed for 1986. This is the same level of funding as was available for 1984 and represents the same program level as is in effect in 1985. No reduction in the number of projects will take place in 1986, and no reduction in program activity is expected to take place. We do not believe expansion is justifiable with a congressionally mandated evaluation underway.

SPECIAL RECREATION PROJECTS

Question: For fiscal year 1986, you propose to terminate funding for Special Recreation Projects, which were funded at $2.1 million in 1985. This program supports projects to provide recreational activities for handicapped persons, primarily at the community level. About 16,000 persons are served each year. You have stated that because this is a low priority item, private charities, local organizations and corporations should provide its financing. How many projects would there be and how many handicapped people do you think would be participating in these events next year if there were no Federal funding?

Answer: Even without Federal funding, we expect that on a national basis, the level of recreational services for handicapped people would be approximately the same as it is in fiscal year 1985. Somewhat more support of direct services might be expected at the local community level. Municipal and county parks and recreation departments are responsible for providing recreational services to the citizens residing within their jurisdictions. Handicapped citizens should be included within the community groups for whom services are made available. In addition, charitable organizations frequently support this kind of activity.

SPECIAL DEMONSTRATION PROJECTS FOR THE SEVERELY DISABLED

Question: Within the Special Demonstration Projects for the Severely Disabled account, we fund a network of 19 spinal cord injury centers and other projects which are determined by the Department to address areas of particular need. How much will be expended for the spinal cord injury centers in 1985?

Answer: The spinal cord injury centers will be funded at $5,000,000 in 1985.

Question: How many projects within this account are selected by you for funding?

Answer: In 1985, we will fund the 19 spinal cord injury center projects, the noncompeting continuation of 46 special projects and demonstrations for the severely disabled, and eight new projects under the supported employment initiative.

Question: What do these total for fiscal 1985?

Answer: The 1985 budget level for special projects for the severely disabled totals $14,635,000. We estimate that the funds will be awarded as follows:

Spinal Cord Injury Centers	$5,000,000
Special Projects Noncompeting Continuations	$5,464,000
Supported Employment	$4,171,000

Question: Had you already determined which projects you would choose to fund, and when you added them up, decided you would not have sufficient funds available to provide the Special

Olympics program $500,000 from this account as directed by Congress?

Answer: The conference report on the 1985 appropriation specified neither the amount of funds to be awarded to support the 1985 International Winter Special Olympic Games, nor the specific funding source to be used. Although the intent of the Hatch Amendment (4401) had been to add an additional $500,000 to the special projects authority, additional funding was not mentioned in the final conference report, leaving to the Department the decision regarding the appropriate source of funds. After a careful review, the Office of Special Education and Rehabilitative Services determined that the special recreation program was the most appropriate resource. Recreation awards are made for one year only, and consequently, there are no continuation requirements under the program. In the case of the special projects for the severely disabled program, however, all 1985 funds were committed for the noncompeting continuation of ongoing projects, except for the additional funds provided for the supported employment initiative. The House report on the 1985 appropriations bill, in fact, indicated that the increase for the special projects for the severely disabled program would allow funding for the Department's supported employment initiative.

The Special Olympics funding decision was based on continuation demands on the special projects for the severely disabled program budget, the benefits to be derived from the Department's supported employment initiative, and the recreational purpose of the Special Olympic activity.

Question: How many fewer special recreation projects will be funded in 1985 and how many fewer persons will be served due to your decision to reduce the $2.1 million appropriated for Special Recreation Projects by $500,000 for the Special Olympics, instead of taking the funds from special projects as directed by Congress?

Answer: We estimate that we will fund four fewer recreation projects, which might have served up to 4,000 persons in 1985, because of the Special Olympics funding. We expect, however, that many of the activities for which Federal funds are requested will be carried out with local community support. The grant for the 1985 International Winter Special Olympics provided a unique recreational experience for many handicapped persons who would not have benefitted from the regular special recreation projects.

TRAINING

Question: According to the U.S. census data for 1980, there were approximately 2.6 million speech and language impaired persons and over 17 million hearing impaired persons in this Nation. Both types of handicapping conditions are projected to increase dramatically during the rest of this century and beyond. Despite these figures, funding for the training of rehabilitation professionals to serve the speech, language, and hearing impaired has steadily decreased over the years, and yet no support for the long-term training of speech-language pathologists and audiologists is provided in the current RSA budget. How do you account for the elimination of support for one of the major rehabilitation disciplines?

Answer: RSA is not eliminating support for training in speech pathology and audiology. We will continue to support 13 previously approved projects, for a total of $258,000.

Question: What evidence or data does RSA have that show there is no need for new rehabilitation personnel in the field of speech-language pathology and audiology?

Answer: We have not taken the position that there is no need for new personnel in speech pathology and audiology. We have allocated $258,000 for 13 continuation projects in this field. We have not allocated funds for new starts in this specialty area since very limited data are currently available. Essentially, we are holding the line until we have objective shortage data related to all training categories.

Question: Will findings concerning personnel shortages and needs in the various rehabilitation disciplines be made available later this year?

Answer: We have awarded a contract for the development of a management system for collecting data, assessing shortages, and determining training allocations. We hope this system will be in place when we establish training allocations for fiscal year 1987.

Question: Will such data be updated annually and reported to Congress with future budget requests for RSA?

Answer: Information will be made available on an annual basis with the budget request.

Question: You have had more than a year now to determine where personnel shortage areas exist for purposes of allocating training funds. Again, you are proposing to cut the training program by $7 million until perhaps next year when the study might be finished and you will have determined an allocation system. While we understand that some variations from the 1984 levels must be made in order to respond to Congressional mandates for independent living and client assistance personnel training, it is not clear why some specialities were dropped completely from your list. How was the $7 million figure arrived at in your proposal for this cut?

Answer: Since consistent and objective data on personnel shortages in all areas will not be available for use in 1986, we decided to request funds for continuations only. The projected costs for those awards total $15 million, a $7 million reduction from the 1985 level.

Question: On what basis did you determine that certain specialities should not be funded in your recent Federal Register announcement, since, as you say, you are still conducting your study?

Answer: In only two fields, rehabilitation social work and therapeutic recreation, are we providing no funds in 1985. We have no personnel data in these specialty areas, and recently there has been only one project funded in each field.

Question: What is the procedure by which the Rehabilitation Services Administration determined its FY 1985 funding allocations for Rehabilitation Long-Term Training?

Answer: 1985 funding levels for rehabilitation long-term training were maintained primarily at, or near, 1984 funding levels. Exceptions were made to respond to: (1) the need for appropriately skilled personnel essential to Federal program initiatives; (2) the need for personnel in certain areas where shortages have been documented; and (3) legislative changes authorizing training for independent living and client assistance personnel.

Question: In 1983, Congress amended the Rehabilitation Training section to require the Commissioner of RSA to prepare and submit to Congress with the annual budget request "a report setting forth and justifying in detail how the training funds for the fiscal year prior to such submission are allocated by professional discipline and other program areas. The report shall also contain findings on personnel shortages, how funds proposed for the succeeding year will be allocated under the President's budget proposal, and how the findings of personnel shortages justify the allocations." Last year, the Appropriations Committee reaffirmed its commitment to this requirement (S. Rpt. 98-544 on P.L. 98-619) and our expectation that the first such report would accompany the RSA budget request for FY 1986. What is the status of this report?

Answer: The report was submitted to Congress on April 16, 1985. Currently available data on rehabilitation personnel supply and demand and other information were reviewed to determine whether that data and information could be used to determine appropriate 1985 and 1986 allocation levels. This review indicated that adequate data are not currently available to permit the identification of personnel shortages across disciplines in a consistent and uniform manner.

Question: Are the FY 1985 funding allocations based on objective findings and consultation with the various professional rehabilitation disciplines concerning personnel needs as mandated by Congress in the Rehabilitation Act Amendments of 1984 (P.L. 98-221, H. Rpt. 98-298, S. Rpt. 98-168, H. Rpt. 98-595)?

Answer: The lack of objective data and the lack of consensus among various components of the rehabilitation field precluded our using such information to establish 1985 allocations. Only modest shifts from the 1984 allocations have been made.

Question: RSA has been aware of the personnel needs study requirement since 1983. Has such a study been conducted?

Answer: Contractor work is currently in progress to develop a structured management system for collecting data, assessing shortages, and determining allocations.

Question: If so, why are the results of such a study not being reported and used by the RSA in its current budget allocations and in its request for FY 1986?

Answer: The results of the study will not be available until January 1986. At that time, RSA will be provided with the specifications for a data collection system and with decision-making methods to support such a system.

Question: What will be the procedure for determing budget allocations among the professional rehabilitation disciplines in FY 1986?

Answer: In 1986, support will be provided to continuation projects only. Given the inadequate and inconsistent supply and demand data now available, the Department does not have data to justify new awards in fiscal year 1986. No new projects will be funded.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

VOCATIONAL REHABILITATION STATE GRANT PROGRAM

Question: The justifications report that a total of 348,233 new applicants were accepted last year for vocational rehabilitation. This year an additional 1,767 new applicants will be accepted, bringing the total up to 350,000. How does this compare with next year's estimate? Will there be any increase at all under the proposed freeze?

Answer: We estimate that the number of new applicants accepted for service in 1986 will be about the same as in 1985. In addition, some agencies overmatch their Federal grants, and other agencies have access to additional non-match funds, which are used for rehabilitation purposes. These agencies may show increases in intake levels, or at least no declines.

Question: How many of the estimated 35 million disabled people in the United States are eligible for services under the vocational rehabilitation program?

Answer: Attempting to estimate the number of persons eligible for vocational rehabilitation serivces is not a programmatically useful endeavor, because it is not appropriate for the Federal Government to attempt to provide services to all who are eligible under current law. First, Federal law does not require a means test as part of the eligibility determination. While some States have implemented means tests on their own, the criteria are neither consistent nor monitored by the Federal Government. Thus, many work disabled individuals are eligible for Vocational Rehabilitation services regardless of personal or family income and assets. Taxpayers should not be asked to finance rehabilitation services for those who can cover or contribute to such costs. Second, many individuals with work disabilities are eligible for rehabilitation services provided by the private sector and financed through private medical insurance or by other government programs such as worker's compensation. Again, while these individuals may technically be eligible for publicly funded services under current law, they do not need to receive services at public expense. While the precise number of individuals in these categories is not known, it is likely to be large. Thus, an estimate of the number of persons eligible for vocational rehabilitation services is not helpful in a programmatic sense.

There are also numerous technical difficulties in developing such an estimate. For example, persons called disabled for the purpose of a survey may not consider themselves disabled. Persons may have disabilities, but those disabilities may not inhibit their ability to work. Not surprisingly, estimates of the number of disabled persons vary widely.

Question: How many are presently served?

Answer: State vocational rehabilitation agencies served 936,180 persons in fiscal year 1984.

COMMUNITY-BASED SERVICES

Question: Are there any items included in the request which are directly related to the availability of community-based services for the severely handicapped? If so, tell us about them.

Answer: Our request for special projects and demonstrations for the severely disabled includes continuation of the projects funded in 1985 under the supported employment initiative. Our request for independent living is for the Part B center program, which provides services within local communities.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

NATIONAL INSTITUTE OF HANDICAPPED RESEARCH

Question: Both the Authorization and Appropriations Committees have expressed concern during the past several sessions regarding the importance of the National Institute of Handicapped Research addressing the unique rehabilitation needs of the Pacific Basin region. We would appreciate learning of your efforts in this regard.

Answer: On March 1, 1985, the National Institute of Handicapped Research and the John A. Burns School of Medicine of the University of Hawaii entered into a cooperative agreement entitled "Improving Rehabilitation Services for Handicapped Persons in the Pacific Basin." This cooperative agreement is for the 60 month period beginning March 1, 1984, and ending February 28, 1989. Annual continuation is contingent upon satisfactory progress and any negotiations that may be necessary to amend the basic agreement. Funding provided for the first year totals $661,685.

AMERICAN PRINTING HOUSE FOR THE BLIND

STATEMENT OF CARSON Y. NOLAN, PRESIDENT

ACCOMPANIED BY THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION

PREPARED STATEMENT

Senator WEICKER. We will now hear testimony on the administration's fiscal year 1986 budget proposals for the American Printing House for the Blind, the National Technical Institute for the Deaf, and Howard University. Our first special institution to testify will be the American Printing House for the Blind, and President Carson Nolan is here to testify.

Dr. NOLAN. Thank you, Mr. Chairman.

I have an opening statement that I can read, or submit for the record.

Senator WEICKER. Submit it for the record, and it will be included in the record in its entirety, but why don't you give us a little synopsis in your words.

[The statement follows:]

Statement of Carson Y. Nolan

The American Printing House for the Blind was chartered by the Commonwealth of Kentucky in 1858 for the nonprofit manufacture of books and educational aids for use in the education of blind children in special schools for the blind. In 1879, the Congress passed an Act to promote the Education of the Blind which, as amended, now enables the Printing House to provide educational materials for all blind students below college level throughout the United States, its territories, and possessions. The total request for 1986 is $5,510,000. The request is based on the freeze policy, to help control the budget deficit. At this level, the Printing House will be able to continue all areas of its program.

The request also reflects proposed legislation to terminate the small trust fund established by the 1879 statute which is no longer cost-effective to administer. The $10,000 formerly provided by the annual interest of the trust fund has been added to the request for 1986.

Educational Materials

For educational materials, the request of $5,020,000 represents an increase of $10,000 over fiscal year 1985. It will supply an estimated 45,800 blind students with educational materials. This number represents an increase of about 1,500 students served compared to fiscal year 1985. Of the total, it is estimated that 39,229 will be students enrolled in grades twelve and below and 6,571 will be students enrolled in adult rehabilitation programs. The per capita allotment will be $109.61 in fiscal year 1986, a decrease of $4.25 from the allotment for fiscal year 1985.

Advisory Committees

The request of $140,000 for expenses for advisory committees is equivalent to the amount awarded in fiscal year 1985. This budget category covers the expenses of the two advisory committees which determine what books will be published and what new materials will be developed. More importantly, it covers the cost of informing teachers and administrators about what materials are available, how they may be obtained, and how they are to be used as well as the cost of conducting the annual census of blind students in January.

Educational and Technical Research

The request of $350,000 for educational and technical research is the same amount as allocated in 1985. These funds will serve as a base to enable the Printing House to develop needed educational materials in a variety of subject areas, such as reading, mathematics, science, microcomputer applications, and for special groups such as the multihandicapped blind and preschool blind.

The American Printing House continues to serve a growing and complex group of blind students with many different kinds of educational materials. As of January 1984, 29,209 legally blind students were registered through State departments of education, and 9,156 were enrolled in residential schools. Among these, 7,105 read braille, 13,961 read large type, and 21,964 used other media for learning. (Some students read using more than one type of media.) Of the total, 15,371 were multihandicapped.

New educational materials and teaching aids are developed and produced each year to keep educational programs for these students current. In addition, reprints and reruns of older materials are made as required. The American Printing House maintains a finished goods inventory of $3,500,000 to ensure a timely delivery of special materials to educational programs.

Recently, progress has been made in a number of areas which will increase the efficiency of service to blind students. For example, the American Printing House has upgraded its production facilities and made new products available through fiscal year 1985.

We have continued to increase employment of blind people, hiring one production worker and one technology specialist. We have contracted with two blind persons to develop software for microcomputers. We are currently seeking blind personnel for middle management.

We continue to make steady progress in meeting the educational needs of blind children. Recent progress is described in the 1984 Annual Report of the American Printing House, copies of which I am leaving for the Committee.

Mr. Chairman, I will be glad to answer any questions about this budget request.

BIOGRAPHY OF CARSON Y. NOLAN

POSITION : President
American Printing House for the Blind

BIRTHPLACE AND DATE : Indianapolis, Indiana - October 21, 1925

EDUCATION : University of Kentucky - BS and MA, 1950
Washington University - PhD, 1953

EXPERIENCE :

PRESENT : President, American Printing House for the Blind
Louisville, Kentucky

1976-1979 : Vice President and General Manager
American Printing House for the Blind
1958-1976 : Director, Department of Educational Research
American Printing House for the Blind
1960-1972 : Adjunct Associate Professor, Department of Psychology, University of Louisville
1956-1958 : Research Scientist, Human Resources Research Office, Fort Knox, Kentucky
1953-1956 : Director, Field Unit 1, Air Force Personnel and Training Research Center, Forbes Air Force Base, Kansas

ASSOCIATION
MEMBERSHIPS : American Association of Workers for the Blind
Association of Education of the Visually Handicapped
Council Exceptional Children

PUBLICATIONS: Over 100 professional monographs, chapters, and articles

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. Educational materials......	$4,660	$5,010	$5,010	$5,020
2. Expenses related to advisory committees......	250	350	350	350
3. Educational and technical research..................	90	140	140	140
Total...........	5,000	5,500	5,500	5,510

NOTES

1. Legislation will be proposed in 1986 to eliminate the Printing House's permanent trust fund. Therefore, in 1986 a $10 thousand increase above the 1985 level is requested in the regular appropriation to offset the proposed termination of the trust fund's interest income.

BUDGET REQUEST

Dr. NOLAN. Our request this year, Mr. Chairman, is for $5,510,000, which is an increase of $10,000 over fiscal year 1985. This money will be utilized in three ways. The majority of it, $5,020,000, will go for educational materials, which is an increase of $10,000 over fiscal year 1985. The money will serve to provide materials to 45,800 legally blind students, with a per capita of $109.61, which is a decrease of $4.25 from last year.

The amount of $140,000 will go to what we call advisory services, which covers the expenses of the advisory committees to us, the expense of taking the annual census, the expense of advising our consumers as to what we have, how it can be used, and how they may obtain it. There is no increase in this amount over fiscal year 1985.

Educational and technical research is included in the amount of $350,000. There is no increase here. Also, it will be proposed to eliminate the trust fund that has existed since 1879. This was the original way to fund the printing house. A quarter of a million dollars was set up as a trust at 4 percent interest, yielding $10,000 a year. The notes themselves matured around the turn of the century, and I don't think that they were ever replaced, but this amount was carried as a permanent appropriation.

This year, the $10,000 has been put in to the regular appropriation, which accounts for the $10,000 increase. It will be proposed that the trust fund be eliminated. It is really an anachronism that no longer serves any purpose but to confuse us all when it comes time to explain the account.

Senator WEICKER. Thank you very much.

I note that it is expected that the printing house will serve 45,800 blind persons, which included 6,571 adult rehabilitation clients—an additional 1,487 blind persons—next year. If funding for the printing house were to remain the same in 1986 as the amount appropriated in 1985, as proposed by the administration, it is estimated that a per capita allotment of $109.61 would result, a reduction of $4.25 or 4 percent from 1985.

EFFECT OF REDUCTION ON PEOPLE SERVED

Will you please tell me what effect would a reduction of this nature have on those people that the printing house serves?

Dr. NOLAN. Simply, it means fewer materials to each person. First, more people would have to share the same amount; second, even though inflation is relatively under control, it still exists. The inflationary amount would serve to diminish the buying power of that money. So you would have this twofold reduction in what is available to each blind individual.

Senator WEICKER. This, in other words, is the contribution of the American Printing House for the Blind toward the reduction of the deficit.

Dr. NOLAN. Yes, sir; if you want to look at it that way.

Senator WEICKER. That is the way I want to look at it. Excuse the choice of words, but I can't think of how else to put it.

Dr. NOLAN. I can't help but agree with you.

Senator WEICKER. That is the way your clients will look at it.

Dr. NOLAN. Yes.

Senator WEICKER. I think you are doing a fine job, President Nolan, I really do.

Dr. NOLAN. I appreciate that.

Senator WEICKER. My comments are the same here as they were previously as to exactly who we are going to reduce the deficit on—on whose back we are going to reduce the deficit. Somehow, I don't belong to the school that thinks the blind ought to share in that.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

The rest of the questions will be submitted for response to the record, and I thank you very much.

Dr. NOLAN. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

BUDGET LEVEL

Question: I note that it is expected that the Printing House will serve 45,800 blind persons, which includes 4,600 adult rehabilitation clients -- an additional 1800 blind persons -- next year. If funding for the Printing House were to remain the same in 1986 as the amount appropriated in 1985, as proposed by the Administration, it is estimated that a per capita allotment of $109.61 would result -- a reduction of $4.25 - or 4 percent - from 1985. What effect would a reduction of this nature have on those people the Printing House serves?

Answer: A 4 percent reduction in the per capita amount for each blind student would mean that fewer special materials would be available. Materials availability would be further reduced through effects of inflation.

Question: What was your request to OMB -- or the Secretary -- for fiscal year 1986?

Answer: Our request for fiscal year 1986 was $5,510,000.

OTHER SOURCES OF INCOME

Question: The Printing House receives 42 percent of its operating budget from the Federal appropriation. Where does the other 58 percent come from?

Answer: The other 58 percent of the income of the Printing House comes from contract work for Federal, business, and religious organizations, and from cash sales of materials to schools and blind individuals.

Question: Is there a distinction drawn between what functions Federal funds support and what functions non-Federal funds support?

Answer: Federal funds from the appropriation support manufacture of school materials provided under the Act to Promote the Education of the Blind. Other funds support manufacture of a wide range of other materials. Federal contracts other than the appropriation support publication of adult library materials in braille and recorded form, and reference materials for the Internal Revenue Service in braille. Other contract work in braille and recorded form includes magazines, business reports, menus, and other materials.

Question: We understand that the Printing House undertook, beginning in FY 1984, a $2.5 million fundraising drive in order to upgrade manufacturing equipment and data processing. Is such a fundraising campaign a usual undertaking for the Printing House, and what is the status of this effort?

Answer: The Printing House routinely raises funds from the public to support publication of special editions of Newsweek and Reader's Digest magazines and for its Endowment Fund.

Question: What private organizations or individuals provided the major contributions?

Answer: Funds to upgrade manufacturing equipment and data processing were originally requested from the James Graham Brown Foundation of Louisville. However, in the fall of 1984, we received four large bequests and withdrew our request to the Brown Foundation.

Since the Act to Promote the Education of the Blind expressly forbids use of the Federal Appropriation for capital acquisitions, other sources for these funds must be sought.

TRUST FUND

Question: A $250,000 trust fund for the Printing House is established in its authorizing legislation, and provides $10,000 a year to the budget of the Printing House from interest accrued. The administration proposes to terminate this fund and provide the $10,000 through the regular appropriation on the grounds that the trust fund is not a cost-effective way to provide money to the Printing House. What would be the impact on the Printing House terminating the trust fund?

Answer: If the money provided through the trust fund were provided through the regular appropriation, there would be no impact of abolition.

Question: What are the assets of the fund, and what would happen to this money if the fund were terminated?

Answer: The original bonds which composed the trust fund matured around the turn of this century. Currently, the assets of the trust fund are an amount recorded on the books of the Treasury.

REDUCTION OF EMPLOYEES

Question: Between fiscal 1984 and fiscal 1985, the Printing House apparently reduced employees by 6 percent -- from 451 to 425. It appears that you expect to maintain your staff at the lower level in fiscal year 1986. Why were these staff reductions made?

Answer: The 6 percent reduction in employees was achieved through improvement in the efficiency of management and manufacturing processes.

Question: What amount of money does this action represent in terms of savings for the Printing House?

Answer: This reduction in personnel lowered costs by approximately $300,000.

EFFECTIVENESS OF MATERIALS USE BY STATES

Question: Apparently some States make more efficient use of their allocation than others, particularly those States which have centralized handling of educational materials for the blind. How do States use their allocation under this program, and how might some be assisted to use their allocation more effectively?

Answer: States that have centralized management of the materials provided under the act are able to manage the initial application of their allocation more effectively and to make repeated use of the same materials.

The national Association of Instructional Resource Centers for the Visually Handicapped, as well as Printing House staff, have advocated this practice nationally and offered consultation to States for initiating central management. Special Education programs in the Department of Education once provided start-up funds for State materials centers. This practice might be resumed.

BLIND EMPLOYMENT

Question: Over the last several years, you have been criticized because of the low number of visually impaired people that you employ. Other Braille printing houses such as Triformation Braille and the National Braille Press report that 30%-60% of their work force is visually impaired. Why has it been difficult for the American Printing House for the Blind to hire visually impaired people?

Answer: Current employment at the Printing House is 409 persons. Of these, 64 or 15.6 percent are handicapped. Of the handicapped, 18 or 4.4 percent are blind. Sixteen of the 409 employees are currently on lay off.

Our braille-printing operation employs 90 people. Of these, 15 or 17 percent are blind. It should be pointed out that we provide independent employment for two blind persons in our lunchroom; that we have outside contracts with two additional blind persons; and that our Educational Research Department employs 12 blind persons as part-time consultants.

It has been difficult for us to hire anyone, including blind persons, because of our shrinking work force. In fiscal year 1984, we employed 451 persons; today we employ 409. Since 1982, the Printing House has experienced an operating deficit of more than $1,400,000. Efforts to overcome this deficit include reducing personnel through becoming more efficient.

During the last ten months, we hired a blind manufacturing design technican and a blind braille production worker. We contracted with two blind computer programmers for development of educational software. We are currently negotiating with one additional blind programmer for full-time employment as a project leader in research. During this same period, two blind employees retired and because of our shrinking work force we were unable to replace them.

As openings occur, we will hire additional blind persons wherever possible.

Questions Submitted by Senator William Proxmire

BUDGET BREAKDOWN

Question: Dr. Nolan, the budget request includes $140,000 for expenses related to four advisory committees. That averages out to $35,000 per meeting. Can you tell us what these funds actually support?

Answer: The title for this budget line item is misleading. In addition to the expenses of the two advisory committees, these funds cover some of our personnel costs in taking the annual census, salaries and travel expense for personnel who conduct our field consulting services to our educational consumers, and much of the costs of the catalogs and brochures that describe our educational products. These costs can be broken down as follows:

Committee expense	$ 15,000
Annual census cost	20,000
Field services	
salaries	25,000
travel	35,000
Catalogs and brochures	45,000
	$ 140,000

Question: $350,000 is requested for educational and technical research. What kind of projects will be supported next year?

Answer: Education research and development activities will be conducted in the following areas during fiscal year 1986:

Early childhood and multihandicapped
Prevocational training
Low vision utilization enhancement
Braille reading
Educational measures
Microcomputer applications to education

BLIND PARTICIPATION

Question: Dr. Nolan, I understand only a handful of blind individuals were actually employed last year by the American Printing House for the Blind. I believe only 20 out of a total of 451 — roughly 4%. You ought to be able to do better than that. Your present staff level is 425. How many of these are blind?

Answer: As indicated in an earlier answer, we currently employ 409 persons of whom 16 are on layoff. Of these, 64 are handicapped in some way; 18 of the handicapped are blind. Two additional blind persons are independently employed in our lunchroom and two additional blind persons are outside contractors.

Question: In what capacity are they employed? Are any presently employed on the Executive management or professional levels? on the executive management or professional levels? If not, why not?

Answer: Blind persons are employed as production workers, typists, braille proofreaders, talking book proofreaders, and one as a manufacturing design technican. At present, we do not have any of our blind personnel employed in executive management or professional positions. However, we have outside contracts with two professional blind persons to develop microcomputer software. In addition, we are currently negotiating with a blind person to become a reseach project leader in the microcomputer area.

Question: What about the advisory committee? Any blind members serving there?

Answer: Nine of our ex officio trustees are blind. One blind trustee is currently a member of our Research and Developmental Committee. It should be pointed out that our Research Department employed 12 blind persons as paid consultants during fiscal year 1985.

FIELD SERVICES

Question: There's an intriguing one-liner on page 296 of the justifications regarding field advisory services. It states (quote): "Field advisory services will be increased to the fiscal year 1983 level" (end quote). What was the 1983 level and how does this compare with last year and 1985?

Answer: Field advisory services for the three years compare as follows:

	1983	1984	1985
Visits to State departments of education	14	12	12
Visits to residential schools	15	12	12
Visits to rehabilitation programs	4	1	4
Visits to local education agencies	3	1	4
Visits to teacher training programs	4	3	4
Visits to materials training workshops	5	5	10

Question: What are field advisory services?

Answer: Field advisory services communicate to administrators, teachers, and teacher trainers what educational materials are available from the Printing House and how they may be obtained, and train personnel in the use of these materials.

National Technical Institute for the Deaf

STATEMENT OF WILLIAM E. CASTLE, DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, AND VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY

ACCOMPANIED BY:

- **WENDELL S. THOMPSON, ASSISTANT TO THE DIRECTOR, NATIONAL TECHNICAL INSTITUTE FOR THE DEAF, AND VICE PRESIDENT, ROCHESTER INSTITUTE OF TECHNOLOGY**
- **THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION**

PREPARED STATEMENT

Senator WEICKER. Now we have the National Technical Institute for the Deaf, and Director William Castle.

Nice to have you with us, Mr. Castle. I am glad to see you regardless of what your philosophies are. I will say that it is a rather liberal dress that you are wearing today, and very cheery, and I think that it is terrific.

Dr. CASTLE. Thank you, Mr. Chairman.

I have with me my assistant, Wendell Thompson. I will submit the opening statement for the record.

[The statement follows:]

STATEMENT OF WILLIAM E. CASTLE

I am pleased to present the fiscal year 1986 request for the National Technical Institute for the Deaf on behalf of the Department of Education.

As you know, the National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created by Congress to provide postsecondary technical education for the Nation's young deaf people to prepare them for successful employment. We are also involved in training professional staff to serve the Nation's deaf population and are conducting research into educational achievement, communications, personal/ social instruction, economic and employment aspects of deafness. The 1986 request for the National Technical Institute for the Deaf is $30,080,000. This includes an increase of $80,000 for rubella related costs.

The specifics of the fiscal year 1986 request follow:

Operations

The fiscal year 1986 request for operations is $30,080,000. Of this amount $28,290,000 is for the base programs and $1,790,000 is for costs of educating the students associated with the rubella epidemic of 1963-65. This request would freeze the level of the base program and include an increase from fiscal year 1985 of $80,000 for the cost of rubella-related operations. It would support academic programs in the areas of career development, research, training, and information dissemination. The rubella epidemic of 1963-1965 doubled the incidence of babies born deaf throughout the United States during that period. Those children are now 19 to 21 years old and are applying to or attending postsecondary institutions in record numbers. This past year NTID received 998 applications and had a fall 1984 entering class of 489, which is 150 more than in a "typical year". Projections for the fall of 1985 (fiscal year 1986) indicate that NTID will receive over 800 applications and that the number qualified to enter will be 560. At the requested level of funding, NTID will admit 270 new students, 70 less than would "normally" be admitted, bringing the total enrollment to 1,175.

The number of students admitted at the requested level is strongly influenced by NTID's salary policy for 1986. Under the terms of the agreement between the Rochester Institute of Technology (RIT), NTID's host institution, and the Federal Government, NTID is required to follow RIT policies and practices. RIT is planning a three percent salary increase and a one percent fringe benefit increase for a total of $650,000 for 1986. To finance these and other increases, offsetting reductions will be taken which will affect the number of students that can be enrolled.

Career Development

The education provided at the National Technical Institute for the Deaf transcends that which is typically provided by a traditional technological institution by dealing with personal/social and communication setbacks that the deaf may experience. Through a coordinated system of direct instruction and support services such as tutoring, notetaking, instructional technology development and career counseling, the Institute strives to offer educational programs geared to the specific needs of each student. This approach has proven highly successful since historically more than 94 percent of our graduates who seek employment have been placed in jobs within six months of their graduation. Over their life times, these same people are expected to pay back to the Federal Government in the form of taxes over 400 percent of the original investment in their education.

Research

NTID will continue to support applied research in the technical and general education of the deaf population, but at a reduced level until the "rubella bulge" subsides. Research is conducted in the areas of speech, audiology, manual communication, visual information processing, use of the English language, personal/social accommodation, cognitive strategies, career development and decision-making, educational support services, instructional technology, the characteristics of NTID's target population, and the accommodation of graduates in the workplace. NTID will also focus a major effort on reporting of NTID proven products, procedures, and systems which have broad-based impact to other organizations with deaf education responsibilities.

The primary focus of NTID's research efforts has not deviated from the direction set forth in the 1965 Department of Health, Education, and Welfare report on the education of the deaf. In that report, it was suggested that the

> "...unsatisfactory state of education of the deaf cannot be attributed to any lack of dedication of those who teach and work with the deaf. The basic explanation lies in our failure to launch an aggressive assault on some of the basic problems of language learning of the deaf through experience or well-planned and adequately supported research, and in our failure to develop more systematic and adequate programs for educating the deaf at all levels."

In the forseeable future, complete solutions to some of these age-old problems are perhaps beyond the scope of NTID's research efforts, but NTID has already received a number of benefits from its research efforts and as a result, students are leaving NTID better prepared for their future. In addition, research findings which can provide assistance to professionals and educators working with the deaf will continue to be disseminated through workshops and publications.

Training

Continued emphasis will be placed on training programs for professionals, graduates, interns, counselors, job placement specialists, and interpreters. In 1982, NTID began an Associate Degree program for interpreters which has been expanded from 15 to 60 students per year. Training efforts at the Institute have increased significantly recently and will continue to increase as the existing programs are revised and refined, and as other educational institutions look to us for guidance in developing programs to comply with Public Law 94-142 and Section 504 of the Rehabilitation Act of 1973. Preservice training for teachers of the deaf will continue in conjunction with the University of Rochester, and in-service training will be provided through faculty exchanges, internships and fellowships.

Information Dissemination

NTID will improve deaf education nationally by sharing educational techniques and processes, research findings, and training techniques.

Among other products for dissemination, the award winning quarterly publication, Focus, is currently distributed to more than 17,000 professionals in deaf education, business, and government, providing them with a greater awareness and appreciation of the capabilities of our Nation's deaf citizens. Also our Product Catalogue, featuring NTID-produced research and teaching materials, has received an outstanding response.

Summary

In summary, the 1986 request is designed to continue the National Technical Institute for the Deaf's commitment to the achievement of equal opportunities for the handicapped and to meet the challenge brought about by the rubella epidemic of the early 1960s. In the Institute's brief history, it has been shown that young deaf adults can overcome the consequences of their handicap and become contributing members of society.

Mr. Chairman, I will be pleased to answer any questions you may have.

BIOGRAPHY OF WILLIAM E. CASTLE

POSITION:	Vice President for Government Relations, Rochester Institute of Technology Director, National Technical Institute for the Deaf
BIRTHPLACE AND DATE:	Thomas, South Dakota; September 5, 1929
EDUCATION:	Northern State Teacher College, 1951, B.S. State University of Iowa, 1958, M.A. Stanford University, 1963, Ph.D.

EXPERIENCE:

Sept. 1982 - Present	Vice President, Government Relations -RIT Director - NTID
Sept. 1979	Vice President, R.I.T. Director, N.T.I.D.
July 1977 - Sept. 1979	Dean and Director, N.T.I.D.
July 1969 - June, 1977	Dean, N.T.I.D.
1968 - 1969	Assist. to the V.P. & Director of Division of Instructional Affairs, National Technical Institute for the Deaf

1965 - 1968	Assoc. Secretary for Research & Scientific Affairs, American Speech and Hearing Association
1963 - 1965	Assistant Professor, Speech Pathology & Audiology, University of Virginia
1961 - 1963	Instructor, English, Experimental Phonetics Lab, Stanford University
Summer 1961	Instructor, Speech Correction, Central Washington State College
1960 - 1961	Instructor, English, Experimental Phonetics Lab, Stanford University
1958 - 1960	Instructor, Speech Correction, St. Cloud State College
Summer 1956	Customers Broker, Frank P. Dow Company
1952 - 1956	Communications Specialist. United States Air Force
1951 - 1952	Secondary Teacher, English & Speech, Faulkton High School

ASSOCIATION MEMBERSHIPS:

Academy of Rehabilitative Audiology
Acoustical Society of America
Alexander Graham Bell Association for the Deaf, Inc. (Life Membership - Past President)
American Association for the Advancement of Science
American Association of Community and Junior Colleges
American Association of Higher Education
American Association of Phonetic Sciences
American Association of School Administrators
American Deafness and Rehabilitation Association
American Speech-Language-Hearing Association
Association for Equality and Excellence in Education, Inc.
Association on Handicapped Student Service Programs in Post Secondary Education
Conference of Educational Administrators Serving the Deaf, Inc.
Convention of American Instructors of the Deaf
Council for Exceptional Children
Council on Education of the Deaf
Empire State Association of the Deaf
GeVa Theatre
International Association of Parents of the Deaf, Inc.
International Society of Phonetic Sciences
Monroe County Association for Hearing Impaired
Nathaniel Rochester Society

National Association of the Deaf
National Organization on Disability
National Organization for Women
National Rehabilitation Association
New York State Association of Junior Colleges
New York State Speech & Hearing Association
Opera Theatre of Rochester
Registry of Interpreters for the Deaf
Rochester Museum and Science Center
Rochester Philharmonic
Smithsonian Institution
Telecommunications for the Deaf, Inc.
World Federation of the Deaf

PUBLICATIONS:

"Uses of Technology to Improve the Communication Skills of the Deaf," Presented to the International Congress on Education of the Dean in Tokyo, Japan, August, 1975, Castle, W. E., Johnson, D. D., and Subtelny, J. D.

"Communication Skills Improvement of Deaf Adults: New Hope for Families with Deaf Members" (with K. E. Crandall), Proceedings of the V World Congress on Deafness in Copenhagen, Denmark, August, 1977.

"NTID - Something New in the Education of the Hearing Impaired," Proceedings of the XI World Congress on Otorhinolaryngology, Buenos Aires, Argentina, March, 1977.

Castle, W. E., and Crandall, K. E., "Communication Skills Improvement of Deaf Adults: New Hope for Families with Deaf Members," Proceedings of the Vth World Congress on Deafness in Copenhagen, Denmark, August, 1977.

Castle, W. E. "The Current Status of Vocational and Technical Education for the Deaf," Presented at the Massachusetts Eye and Ear Infirmary, 70th Anniversary Symposium, November, 1977.

Castle, W. E. "Education and the State Commissions," Presented at the National Conference of State Commissions on Deafness, sponsored by the National Association of the Deaf, November, 1977, The Deaf American, June, 1978.

Castle, W. E.	"Postsecondary Education Opportunities," The Volta Review, September, 1978.
Castle, W. E.	"Today is the First Day of the Rest of Your Life," Presented at Commencement Ceremonies at American School for the Deaf and Hartford School for the Deaf, June, 1978.
Castle, W. E.	"Vocational and Technical Education for Deaf People," School Shop Magazines, April, 1978.
Castle, W. E.	"Mainstreaming Techniques for Hearing Impaired Students -What Ten Years Have Taught Us," Presented at the First Annual Conference of the Massachusetts Office on Deafness, October, 1978.
Castle, W. E.	"Roads to Independence," Presented at the West Coast Family Outing of the Alexander Graham Bell Association of the Deaf, November, 1978.
Castle, W. E.	"Ten Days in Russia - Some Impressions," The Deaf American, December, 1978.
Castle, W. E.	"Recent Developments in Vocational Education for the Deaf in the U.S.A." Presented at the 8th World Congress of the World Federation of the Deaf, Varna, Bulgaria. June, 1979.

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. Operations..................	$26,091	$28,290	$28,290	$28,290
2. Operations - rubella epidemic..........	1,909	1,710	1,710	1,790
3. Construction................	---	1,400	1,400	---
Total..........	28,000	31,400	31,400	30,080

BUDGET REQUEST

Dr. **CASTLE**. We are presenting today the President's request for an appropriation for NTID of $30,080,000 for fiscal year 1986. This is an amount which is 4 percent less than our current total appropriation of $31,400,000, and more than 7 percent less than the amount which the Department of Education and we agreed would be needed to support our current level of operations for another year, that is to serve 1,320 deaf students, 60 hearing students in our Interpreter Training Degree Program, and to maintain current levels of our mandated research training and information dissemination efforts.

An appropriation level of $30,080,000 would make it very difficult for NTID programs to be maintained at current levels. Realistically and in all fairness, we should serve no more than 1,200 students with that kind of appropriation. Our current assessment is that if the fiscal year 1985 NTID appropriation level could be maintained at $31,400,000 through fiscal year 1986, we could continue to serve 1,320 students.

CURRENT SERVICES

Senator **WEICKER**. The amount to maintain present services is what?

Dr. **CASTLE**. The amount that we believe would be important to maintain the current services?

Senator **WEICKER**. Yes.

Dr. **CASTLE**. The current level would be $31,400,000, which is the fiscal year 1985 appropriation level.

Mr. **SKELLY**. The budget here has been affected by the freeze policy, which you have heard about on the other accounts, and it also has an adjustment for a one-time construction appropriation in 1985. The President's budget excludes that construction amount.

Senator **WEICKER**. I wouldn't argue with the construction amount. But your freeze, again, would result in a decline of about 4 percent, wouldn't it?

Dr. **CASTLE**. Right.

Senator **WEICKER**. You say that you presented the $31.4 million, you and the Department?

Dr. **CASTLE**. Actually, we presented $32.4 million.

Senator **WEICKER**. OK.

Dr. **CASTLE**. Since certain things have occurred at the Rochester Institute of Technology [RIT] in recent months, we believe we could live with $31.4 million. A decision has been made that the salary increment for our people will not be 5 percent but only 3 percent, and also there is a drawback in certain RIT services.

Senator **WEICKER**. But the Department of Education, as I understand it, presented to OMB the $32.4 million?

Dr. **CASTLE**. That is right.

Senator **WEICKER**. And then OMB reduced it to $30.1 million?

Dr. **CASTLE**. Yes.

Mr. **SKELLY**. The President and OMB decided to apply this across-the-board freeze policy, and that in this program, as in other programs, ended up giving us a figure lower than what we may have requested initially.

Senator **Weicker**. I understand what you are saying. This is the contribution of the deaf to reduce the deficit.

I think we have really asked the main question as to the amounts. So the $31.4 million does include $1.4 for the one-time expenditure in 1985?

Mr. **Skelly**. In 1985, it did. What Dr. Castle is saying is, if they don't have to do that one-time construction project again in 1986, and they don't, then they could use that extra money to cover their operating costs.

Senator **Weicker**. OK.

Dr. **Castle**. This comes out in the spirit of level funding in terms of appropriation.

Senator **Weicker**. I get the message, and let's see what we can do about it.

Dr. **Castle**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Weicker**. Thank you. There will be some additional questions which we will submit for your response for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

THE EFFECTS OF THE ADMINISTRATION'S BUDGET

Question: You have stated that the Institute is precluded from freezing salaries unless its host institution does, under the current agreement between the Federal Government and the Rochester Institute of Technology (RIT). Therefore, in order to accommodate the administration's budget request to freeze spending at NTID at 1985 basic program levels, someone chose to reduce faculty by 20 and to reduce the number of students who may be accepted next year by over 200. One million dollars will be required for salaries, and almost another million for increased costs passed on to NTID from RIT. Are you in agreement that this is the best way to proceed here? Where are we going with this -- increasing costs for salaries and services passed on by RIT which are paid by decreasing faculty and students at NTID?

Answer: The National Technical Institute for the Deaf (NTID), at the Rochester Institute of Technology (RIT), was created by Congress as a mainstreamed, postsecondary, technical educational alternative for our Nation's young hearing impaired students. As one of nine colleges of RIT, which is the sponsoring institution currently serving 13,000 hearing students, NTID is able to offer its students over 160 technical programs at the Certificate, Diploma, Associate's, Bachelor's and Master's level. This unique arrangement carries with it some conditions that a free-standing institution would not ordinarily have. First, NTID, as an integral part of RIT is obliged, both by law and practical concerns, to abide by the policies of the sponsoring institution (RIT). Second, NTID must pay RIT for auxiliary services as well as its fair share of institutional overhead. These two factors create some built-in costs for NTID that would otherwise be more controllable if NTID were free standing.

In the first instance, since RIT intends to grant a salary increase and a fringe benefit improvement to its faculty and staff, NTID, whose employees are employees of RIT, will need to do the same. In the second instance, RIT auxiliary services provided to NTID will increase due to the above compensation increase and other factors. It is true that if NTID were free standing we could choose not to increase salaries and benefits and we might be in a better position to hold down the costs of auxiliary services; but, it is also true that if we were free standing our budget request would be much larger because we could not enjoy the economies of scale that we now do. By that we mean, NTID would need to employ its own custodians, security force, etc., on a full time basis, rather than gaining the advantages of sharing RIT service employees with the other eight colleges.

Thus when the administration asked us how we would absorb the built-in increases of over $2,000,000, our response was that we could not do so without cutting back staff, our summer program, controllable accounts and asking for a reduction in direct services from RIT. Under all of the circumstances facing NTID--the administration's freeze policy and the need to operate within RIT's policies--we think that the actions we have proposed are the only way NTID can proceed.

Question: Is renegotiation of the agreement with RIT a possibility?

Answer: Renegotiation of the agreement as it relates to personnel practices and RIT services is possible, but impractical. The agreement states that "...the sponsor shall observe and be guided by its normal practices which govern the operation of its educational institution..." when dealing with NTID. As it regards personnel practices, the original agreement was designed in such a way that NTID employees would be RIT employees. As RIT employees, it would be difficult to ask NTID staff to accept a zero increase when the rest of the employees of RIT were receiving a 3 percent increase. This is certainly a modest increase, and is 2 to 4 percent lower than other colleges and universities with which RIT chooses to compare itself. As of this date, faculty and professional staff have already signed new contracts for fiscal year 1986 which include the 3 percent increase.

With respect to RIT services, we realize that 34 percent of our budget for this category is a very significant portion of our budget, but as stated in the answer to the previous question, it is for auxiliary services provided to us by RIT such as student health, dormitory, dining, custodial, maintenance, grounds and security. The remainder is for indirect charges associated with our pro rata use of the library, recreational facilities, and administrative support which amounts to 13 percent of our budget. As new services are added that affect NTID, we are expected to pay our share which is an equitable arrangement. This is the category of expenditure that is monitored and approved annually by the previously mentioned regional support staff from the Department of Health and Human Services (HHS), which should serve as a reasonable check and balance.

Question: Is the general incidence of deafness in the school-age population decreasing if you discount the effects of the rubella bulge?

Answer: We do know that the school age population of all students is decreasing. The deaf student population is decreasing at an even faster rate due to the virtual eradication of maternal rubella, which has historically been the cause of deafness for 8 to 10 percent of our enrollment in a normal year.

Question: How long do you expect the increased demand on admissions at your institution due to the rubella bulge to continue?

Answer: The increased demand on admissions should carry over for one more year (school year 1986-87). However, the increased demand on the rest of the institution will last throughout the remainder of the 1980s.

THE EFFECT OF STRICTER STANDARDS AT RIT ON NTID STUDENTS

Question: We understand that your host institution, the Rochester Institute of Technology, has recently made its admissions requirement more strict. What percentage of students who enter the National Technical Institute for the Deaf eventually pursue degrees at the host institution?

Answer: The following indicates the number of NTID students cross registered into the other colleges of RIT for fiscal years 1981 to 1985.

	1981	1982	1983	1984	1985
Total Enrollment	939	964	993	1260	1319
Cross-Registered Students	157	143	200	213	208
Percent of Total Enrollment	16.7%	14.8%	20.1%	16.9%	15.8%

Question: How have the new admissions policies at the Rochester Institute of Technology affected the acceptance rate of students from the National Technical Institute for the Deaf?

Answer: As can be seen from the above data in spite of the fact that RIT has increased its standards, there doesn't appear to be any significant downward trend.

Question: Is the number of students from your institution rejected for admission at the Rochester Institute of Technology increasing with its new admissions policy?

Answer: No, because we have initiated a number of strategies to assure continued access for our students which are as follows:

1. Admissions is seeking more qualified deaf students who would be directly admitted to RIT.

2. NTID has initiated pre-baccalaureate programs that permit qualified deaf students to take some major courses from the colleges of RIT while working on basic skills development through the remedial programs offered by NTID.

3. Majors in applied art, data processing, and engineering technologies have adjusted or are in the process of adjusting their curricula so that upon completion of an associate degree in the college of NTID, the student will be immediately transferable to upper division studies at RIT.

LENGTH OF STAY TO DEGREE

Question: On an average, how long does it take for a student at the National Technical Institute for the Deaf to gain a certificate, diploma or associate degree, and how does this compare to the period required for deaf students at other institutions to make similar achievements?

Answer: The following table displays the average number of active quarters and academic years (years extrapolated at 3 quarters per academic year) students require to complete their first degree. The table represents the average of 1605 individuals. It does not include graduates who entered with prior post-secondary experience, nor does it count quarters on leave of absence, periods of time on withdrawn status, our Summer Vestibule program or quarters taken subsequent to their first degree.

	Certificate	Diploma	Associate	Bachelor
Quarters	7	9	11	15
Academic Years	2.3	3.0	3.7	5.0

It must be pointed out that each of these degree levels includes at least one quarter extra due to NTID's requirement of 1 to 3 quarters of co-op experience in each of its programs.

These data differ from those described by the GAO because their's was a sample of 130 spring 1984 graduates, which included quarters on leave of absence, academic suspension, etc. Additionally, the GAO sample included individuals who were receiving their second and third degrees. It was simply the number of calendar years between entry and final graduation.

How these data differ from other institutions serving the deaf, we do not know.

Question: What contributes to any differences between your students and students at other schools?

Answer: We feel we can safely say that our programs take longer than liberal arts programs because of the need for long labs and co-op requirements. Additionally, when compared to technical programs at other technical and vocational institutions, we know that unlike NTID many of them have a large percentage of purely vocational programs which might tend to shorten their students' average time to certification.

When compared to hearing individuals at RIT, we do know that we are comparing people with 8th grade achievement levels with those who are minimally at the 12th grade level, and students with SAT scores of 672 with those who score 1055 on the average upon entry. Since only 174 of our students have taken the SAT test, we hypothesize that 672 is well above average. (Given the Stanford Achievement scores of an 8th grade average, we would anticipate an average SAT score of 450.)

Deaf students take longer because of the intensive remediation required to "catch them up" with their hearing peers. For example, because it takes longer to teach deaf students due to the myriad communication difficulties and the need for remediation, all of our Associate's degree programs are laid out in a 3-year sequence requiring 115 credits at a minimum for graduation. Therefore, under the best of conditions it is going to take at least 3 years to complete a degree. This doesn't take into consideration the need for extra remediation, repeating some course work, etc., which brings our average closer to 4 years. However, hearing students generally take 3 years to complete their 2 year sequence for an Associate degree.

RETURN ON INVESTMENT

Question: In fiscal year 1982 you testified that "graduates from NTID will, on the average, repay the Federal Government 518 percent of the cost of their education and will save the Government another 300 percent of that cost by not depending on welfare. Can these claims be documented? Please provide the data and calculations on which these claims were based.

Answer: The percentages that were used in the fiscal year 1982 testimony are documentable as follows:

1980

Income

1972 lifetime income, age 25 to death, for a male with 1 to 3 years of college (US Bureau of Census)	$	525,000
CPI inflation adjustment (to bring to 1980)	x	196.3%
Estimated lifetime income in current dollars		1,030,575
Estimated number of working years	÷	45
Estimated mean income	$	22,900

Taxes

Assumed 5 years as single taxpayer, standard deduction (5 x $5,163)	$	25,815
Assumed 40 years as married taxpayer, 3 exemptions, standard deduction (40 x $3,195)		127,800
Estimated taxes for working graduate at 1980 tax rates	$	153,615

Per Graduate

Estimated program completers through August 1980		1,152
Employment rate	x	95%
Estimated working graduates		1,094
Estimated taxes	$	153,615
Working graduates	x	1,094
		$168,054,810
Program completers	÷	1,152
Estimated taxes per graduate	$	145,881

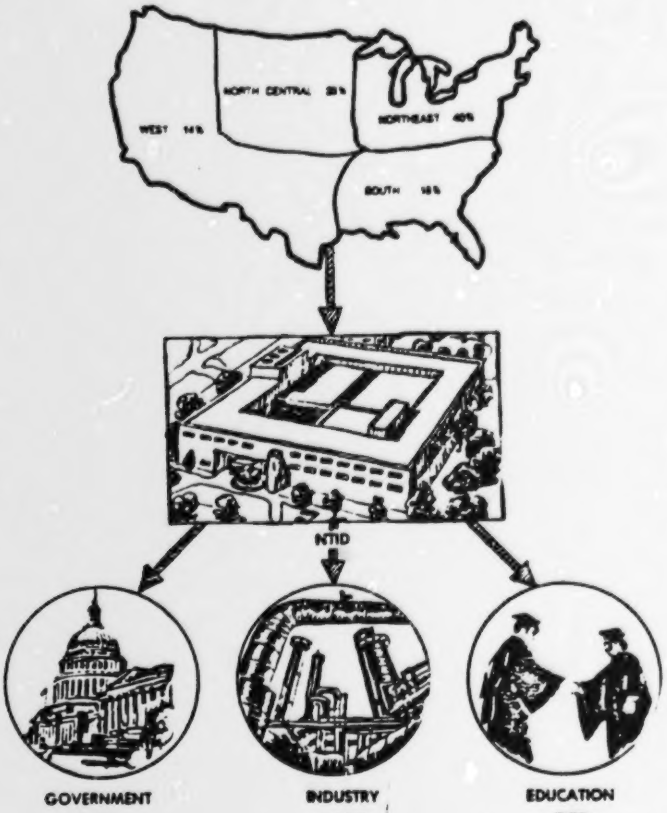
Estimated cost per student per year ($10,373,000 ÷ 1105)	$	9,387
Estimated average stay in years (mean stay for Certificate, Diploma, & Associates degree)	x	3
Estimated cost to educate each graduate	$	28,161
Pay back ($145,881 ÷ $28,161)		518%

The 300 percent savings because of not relying on welfare payments was only a conservative estimate. Based on our estimated cost to educate each graduate ($28,161), one would only have to receive $85,000 in his/her lifetime. Over that same 45 year working life, it would work out to less than $2,000 per year.

We have since recognized that there is a better way to look at the benefits of an NTID education using a value added approach. A study completed shortly after that testimony called "Value Added of a Degree as One Measure of Institutional Effectiveness" compares the differences in earnings potential and therefore tax paying potential of an NTID graduate as compared to a withdrawal.

The study which follows for the Committee to review, indicates a 440 percent return on investment. We feel good about the methodology, but we are trying as of this date to cross-check the data. We are negotiating with the Social Security Administration and the Internal Revenue Service to have them provide us, between the two of them, with a complete set of income data on all of our students, both graduates and withdrawals. Once we get these data we can then update our "Value Added" report.

THE VALUE ADDED OF A DEGREE AS ONE MEASURE OF INSTITUTIONAL EFFECTIVENESS


NORTH CENTRAL 28%
WEST 14%
NORTHEAST 40%
SOUTH 18%
NTID
GOVERNMENT
10.8%
INDUSTRY
81.9%
EDUCATION
7.3%

Institutional Planning and Research
National Technical Institute for the Deaf
Rochester Institute of Technology

Report No. 40

Abstract

This study was designed to examine one measure of institutional effectiveness by documenting the lifetime earnings gain of a graduate over a withdrawal. It further compares the payback in taxes to the federal government with the cost to the federal government of producing a graduate.

The lifetime earnings gain is over $800,000 producing increased taxes of over $160,000. The cost of a degree to the federal government is just over $36,000 for a return on investment of over 440%.

Introduction

Evaluating institutional effectiveness has always been a critical management concern. It requires not only a quantifative measure of benefits but also a measure of the costs required to produce these benefits. In the jargon of Program Budgeting this composite measure becomes 'What is the bang for the buck'.

The importance of this management concern is magnified in today's economy and is a particular concern to managers in the public sector because of the political mood of the country. The National Technical Institute for the Deaf at the Rochester Institute of Technology (NTID at RIT) was created in 1965 by Public Law 89-36. It remains a fully federally funded program and each year requests operating funds from Public Law 89-36. The ability of NTID at RIT to document its effectiveness influences the level at which Congress is willing to support the institution.

One significant institutional product is the graduates. Their success in the market place is a key measure of institutional effectiveness. Congress was clear in this charge when it stated that: 'The focus of effort...should be directed toward the goals of successful employment and preparation for full participation in community living.'

Successful employment can be measured in a variety of ways, among them job satisfaction, mobility, earnings, and employment commensurate with training. Earnings, however, is one measure which can be objectively measured. Rating scales on job satisfaction, employment commensurate with training and the like are often plagued with reliability and validity problems; earnings are not, for all their limitations as a measure of success, and they are a proxy measure of the worth of the individual to the employer.

This report, therefore, contains an analysis of the earnings gain of graduates over withdrawals and a comparison of the federal tax effect of this gain with the federal investment in each graduate. This means that institutional effectiveness, for the purposes of this report, will be the degree to which the taxes on additional earnings resulting from a degree are able to repay the federal cost of producing that degree.

Methods

Three separate but related methods were used to produce the results presented in this report. The first method was a Graduate Feedback Survey (GFS) which is a questionnaire mailed yearly to all deaf RIT graduates. Information is collected on labor force activities (occupation, salary, job satisfaction, etc.) educational, and personal social activities of the graduates. A full description of these methods and findings is available in a separate report (Parker and Welsh, 1981).

A second method was a Withdrawal Feedback Survey (WFS) which is a questionnaire mailed to all deaf RIT students who exited RIT without a degree (i.e., withdrawals). The information collected is similar to that in the GFS. Again a full description of these methods and findings is available in a separate report (MacLeod and Welsh, 1981).

The third and final method was developed to validate the self reported salary information in the two other methods. Although many studies confirm the validity of self-reported data, salary data is quite often considered sensitive by individuals. Both the GFS and WFS require the individuals' signature and thus do not allow the respondent the cloak of anonymity when discussing salary. The effect of this on validity was uncertain. (The signatures are required by the Federal Protection of Human Subjects Legislation).

This third method was to contract with Social Security Administration (SSA) for earnings information on both graduates and withdrawals. A data tape was submitted to the Office of Research and Statistics of SSA. The tape contained the social security numbers of all former deaf RIT students, both graduates and withdrawals (as of the end of summer quarter, 1977) and the following information on all these students:

1. Demographic variables - sex, number of years since graduation, type of high school attended.
2. Academic/programmatic variables - academic program and degree level attained.
3. Communication variables - speech intelligibility and puretone average (hearing loss), best ear.

SSA crosstabulated these variables with earnings on all exited students who worked in at least some part of all four quarters of 1977.

The absolute results of this third method are not directly comparable with the results of the GFS and WFS because of differences in timing and methodology. The SSA data is for the tax year 1977 while the latest GFS and the WFS data is for tax year 1980. The method used by SSA is to report yearly earnings on any individual who worked at least part of all four quarters of the year. Gross income is therefore depressed by those who were in and out of work or who were in school and just working during vacations.

This is a minor problem through, since the relative differences between graduates and withdrawals can be confirmed and this value added of a degree is the real measure of effectiveness.

Analysis-Benefits

The average reported salary in 1980 for graduates employed both full and part time was $13,870. The average reported salary in 1980 for non-degreed withdrawn students employed both full and part-time was $11,418.

These average salaries do not measure the full difference between graduates and non-degreed withdrawals because a much higher proportion of withdrawals are unemployed and out of the labor force (OLF). The following table illustrates this difference:

	Graduates	Non-Degree Withdrawals
Employed	83.7	68.3
Unemployed	6.1	13.4
OLF	10.2	18.3

This illustrates that a typical composite graduate is 83.7% employed. Using these employed percentages, a composite average salary can be constructed for both a typical graduate and a typical non-degreed withdrawal.

Grad 13,870 X .837 = 11,609

Withdrawal 11,418 X .683 = 7,798

This indicates that the value added in 1980 of a degree from RIT for its deaf graduates was over $3,800 (48.7%).

The impact of this difference over the working life of these individuals is very significant. Appendix A indicates that this difference in current dollars could exceed $800,000.

Using the average tax rate of a typical graduate of 20%, the total federal tax payback for investing in the education of these deaf youngsters is $160,000. Its difficult to construct an average tax rate because of the effects of inflation and the probability of some tax adjustments over the next 40 years. The 20% estimate is almost certainly conservative.

Analysis-Cost

The 1980 Federal appropriation for NTID was $17,349,000. The following illustrates the breakdown:

	Direct	Indirect	Total
Instruction	10,085,000	1,272,439	11,357,439
Research	1,800,000	226,980	2,026,980
Training	2,274,000	286,751	2,560,751
Information Dissemination	1,300,000	163,930	1,463,930
	15,459,000	1,950,000	17,409,000

Using the 1980 Full Time Equivalent enrollment of 1100, the following illustrates the cost per student per year of instruction:

	Total	Per Student
Direct	10,085,000	9,168
Indirect	1,272,439	1,157
Total	11,357,439	10,325

Appendix B indicates that the average years to complete a degree is 3.5. The average total cost for a degree is:

3.5 X 10,325 = $36,137.50

Analysis - Cost/Benefit Ratio

The average federal investment in a graduate is just over $36,000. The payback to the federal government is about $160,000.

This indicates that the return on investment is over 440%.

Appendix A

The current value of the future stream of earnings can be determined using the following present value formula.

$$T = S\,\frac{1-\left(\frac{1+g}{1+i}\right)^{n-1}}{1-\left(\frac{1+g}{1+i}\right)}$$

T = the total value in current dollars of a lifetime of earnings

S = the current average salary

g = the average gain per year of earnings in decimal

i = the inflation rate in decimal as indicated by the consumer price index

n = the number of years of employment

The composite average graduate salary identified earlier was $11,609 for 1980. The average salary increase has been 15.4% a year over the last three years. The consumer price index has risen 10.9% over these three years. The typical graduate begins employment at age 23 and has a working life expectancy of 39.66 years.

$$T = 11,609\,\frac{1-\left(\frac{1.154}{1.109}\right)^{38.66}}{1-\left(\frac{1.154}{1.109}\right)}$$

$$T = 11,609\,\frac{1-(1.04)^{38.66}}{1-1.04}$$

$$T = 11,609\,\frac{1-4.56}{1-1.04}$$

$$T = 11,609\,\frac{-3.56}{-.04}$$

$$T = 11.609\ (89.)$$

$$T = \$1,033,201$$

The composite average withdrawal salary identified earlier was $7798 for 1980. The average salary increase is assumed to match the national wage and salary growth over the last three years of 7.6%. This assumption seems appropriate since these withdrawals are non-degreed, non-union, blue collared with limited mobility. The typical withdrawal begins employment at age 20 and has working life expectancy of 41.5 years.

$$T = 7,798 \frac{1-(\frac{1.076}{1.109})^{40.5}}{1-(\frac{1.076}{1.109})}$$

$$T = 7,798 \frac{1-(.97)^{40.5}}{1-.97}$$

$$T = 7,798 \frac{1-.29}{1-.97}$$

$$T = 7,798 \frac{.71}{.03}$$

$$T = 7,798 \ (23.67)$$

$$T = \$184,579$$

Now comparing these two streams of future earnings, the graduate gain is $848,622 (1,033,201 - 184,579).

For comparison, two similar analyses on hearing college graduates were reviewed. Both Harris (1961) and Witmer (1980) calculated the value added in wages and salaries from a college degree. Converting these gains to 1980 dollars for comparison, using the average annual wage and salaries percentage change, both findings are between $425,000 and $450,000. It is not surprising that the gain for deaf graduates is greater considering the significant debilitating effect of deafness.

Appendix B

The following table displays the average length of stay in quarters for each degree level and the percentage of graduates at each level.

	Average Length	Percentage
Certificate	6.55	8.45
Diploma	7.96	27.87
Associates	10.63	45.27
Bachelors	16.45	18.41
		100.00%

The weighted average length of stay for all graduates, calculated from this table, is 10.6 quarters or 3.5 years (three quarters equal one academic year).

Conclusions

Previous research has shown no difference between graduates and withdrawals in communication skills, previous educational experiences and other demographic variables. The only identifible difference is the degree.

This degree produces a lifetime earnings gain of over $800,000. The tax effect of this gain is over $160,000.

The cost to the federal government to produce a degree is about $36,000. The payback in taxes to the federal government is over 440%.

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Parker, C., and Welsh, W. (1981) "The Comparative Status in 1978, 1979, and 1980 of Deaf Graduates from the Rochester Institute of Technology". Research Report No. (forthcoming) Institutional Planning and Research, National Technical Institute for the Deaf, Rochester Institute of Technology, Rochester, NY.

Witmer, D. (1980) 'Has the Golden Age of American Higher Education Come to an Abrupt End?', Journal of Human Resource. Madison, WI: University of Wisconsin Press, Vol. XV #1, Winter.

WHERE SHOULD THE MONEY BE SPENT?

Question: In response to a question asked to you during the FY 1985 hearing about what alternatives were available for deaf students not accepted by NTID or Gallaudet, you replied that "most post-secondary programs do not have the capacity to accommodate larger numbers of deaf students than they are now serving... if anything, I would predict that these institutions are becoming less accessible to the deaf." Yet during the past 10 years, the number of post-secondary institutions serving 15 or more hearing-impaired students in a formal program with at least one full-time support person has increased dramatically. There are now more than 75 such programs, and in 1984 they enrolled 42% more students than Gallaudet and NTID combined and granted correspondingly more degrees. In addition, the fact that fewer and fewer deaf students are attending residential schools (a 50% drop in the last 10 years), suggests that such programs will continue to grow. Obviously, very few if any of those programs provide the range or quality of services NTID provides. However, the fact remains that some of these programs are very good and they provide services at a fraction of what it costs the Federal Government to support a student at NTID. Gallaudet and NTID receive more than 98% of the Federal funds, but serve fewer than half of the deaf students enrolled in post-secondary programs. Should 98% of the Federal support continue to go to NTID and Gallaudet, or should part of the resources which currently go to NTID and Gallaudet go to strengthen some of these regional programs?

Answer: First, I think it is next to impossible for me to answer your question. I don't know what types of services these other programs provide or the types of students that they serve. As you said in your question "...few if any provide the range or quality of services NTID provides" and additionally, I can say none have the set of Federal mandates that we have. Of our eight basic responsibilities, four of them are mandates that these other programs would not have. These are as follows:

1. Conduct applied research into the occupational and the employment related aspects of deafness, communication assessment and instruction, and education and cognition;

2. Develop and evaluate new imaginative instructional technology for application in the education of deaf students both at NTID and elsewhere;

3. Conduct training programs, seminars, and short courses relating to deafness for RIT personnel, for graduate students preparing to work professionally with the deaf, and for other special groups;

4. Disseminate information regarding current NTID practices concerning curriculum, courses of study, special services, and research findings related to those offering programs for deaf persons and to the RIT educational community.

In addition, NTID's major responsibility is to provide education that leads to successful employment. Therefore, education is not an end in and of itself, but rather successful and fulfilling employment. Consequently we expend a great deal of time and energy working with our graduates in the acquisition of employment. Because we want our students to be successful in the mainstream of life, primarily in business and industry, we provide them with extensive speech, language and auditory training and with a broad array of general education opportunities designed to help them grow personally and socially.

With respect to the matter of allocating Federal monies differently, I cannot speak for Gallaudet, but I know that if we at NTID are to dispatch our mandate as defined in the law, we need those resources we have requested. Our success has been a direct result of the extensive support services we provide to deaf students. If your figures are correct, I calculate that we receive roughly 32 percent of the funding and serve 22 percent of the students. This seems reasonable to me when you consider the aforementioned extra mandates and special services we provide.

At RIT, deaf students have the benefit of nearly 200 technical and professional programs. Some 16 percent of our students are fully mainstreamed in professional programs at RIT and another 50 percent take some component of their course work in a mainstreamed setting. All students participate in recreational and social functions with hearing students.

Lastly, regarding my testimony in fiscal year 1985, we were lead to believe, and correctly so, that the four regional programs would be unable to handle the increased numbers of rubella students because they were having their own set of problems at the Federal level. Comparing student data from the 1983 "College and Career Programs for Deaf Students" with the 1981 edition, these programs were in fact serving fewer students. Enrollment for the California State University at Northridge (CSUN), the Technical Vocational Institute (TVI) and Seattle for 1984-85 based on a phone inquiry is basically the same as their 1982-83 levels. We had little information at that time on other college programs for the deaf, but made the judgment that the confusion surrounding Federal student aid and other forms of Federal support might discourage many students from applying and some colleges from accepting the more expensive deaf student.

COST PER STUDENT

Question: The GAO report released today concluded that it costs the Federal Government slightly less than $20,000 per year for every student educated at NTID. These costs are dramatically higher than other schools. Even though the necessity for small classes and special equipment and support services is understood -- there are other schools such as California State University at Northridge and the Technical Vocation Institute at St. Paul which do a very good job educating deaf students for far less money. Why is it so much more expensive at NTID?

Answer: As presented in the GAO report, it is impossible to assess the comparability of the educational costs at California State University at Northridge (CSUN) and St. Paul Technical Vocation Institute (TVI) with NTID. We are unfamiliar with the methodology used to calculate their costs per student. The fact that GAO included in the NTID cost per student the costs associated with our additional mandated missions such as Research, Information Dissemination and Training, which are not included in the operations of CSUN and TVI, makes any comparison tenuous at best. GAO acknowledged this problem on page 40 of its report which states, "...one school's cost per student is not sufficient to establish a baseline for the 'reasonable' costs of deaf education."

We find it difficult to comment on the types and quality of programs and services offered by these other programs. A great deal of additional information would need to be made available before any reasonable cost comparisons could be made. With respect to CSUN we do know that they provide primarily liberal arts programming. Technical and professional programs cost more than Liberal Arts because,

1. Labs require smaller classes due to the limited number of workstations.

2. Equipment to support technical curriculum requires a larger fixed investment and periodic replacement to keep up with changes in technology.

3. Equipment intensive labs require set-up and maintenance personnel.

4. The Manufacturing Process lab requires approximately 1600 square feet, yet only accommodates 8-12 students because of the size of the machinery. Additionally, the costs are high because of the need for reinforced flooring and sound proofing.

5. Technical faculty cost more as they come primarily from business and industry.

6. Co-operative work experience adds to the length of time to degree.

The programs at TVI are primarily vocational in nature and they do not grant associate, bachelor or master's degrees. Only 10 percent of NTID's programs could be categorized as vocational with the rest being technical or professional.

Question: What efforts are being undertaken to help NTID become more cost effective?

Answer: NTID has undertaken a series of cost reduction and efficiency measures to accommodate the enrollment increases resulting from the rubella epidemic. These actions appear to have been very successful when reviewing the planned expenditures in fiscal year 1986 against the expenditures in fiscal year 1982 for which time GAO cites the cost per student to be $19,712 (the report states $19,771 but to the best of our knowledge that is a typographical error).

In order to measure the effectiveness of our efforts it would be appropriate to measure NTID's performance for the period of fiscal year 1982 to fiscal year 1986 against the inflation rates experienced by other postsecondary institutions as reflected in the higher education price index (HEPI). For the period 1982 to 1986 the HEPI index increased by 29.4 percent. (Note: This includes an estimate of a 5 percent increase from 1985 to 1986). The following represents the cost per student for NTID using the methodology in the GAO report:

NTID EXPENSE	HEPI PROJECTION	NTID BUDGET
$19,712	$25,507	$20,475

The following are the individual components of the cost per student calculations. The last column indicates the percent savings NTID's fiscal year 1986 budget represents when compared against the budget that would have been necessary had expenses matched the inflation rate for the period from fiscal year 1982 through fiscal year 1986.

	NTID Expense FY 1982	HEPI Projection FY 1986	NTID Budget FY 1986	INC (DEC)
Instruction	$5,995	$7,758	$7,591	(2.1%)
Student Services	$3,018	$3,905	$2,668	(31.7%)
Grant-In-Aid	$ 116	$ 150	$ 133	(11.4%)
Research	$ 896	$1,160	$ 632	(45.5%)
Public Service	$ 784	$1,014	$ 601	(40.8%)
Academic Support	$4,809	$6,223	$4,885	(21.5%)
Institutional Support	$2,576	$3,333	$2,703	(18.9%)
Operations/ Maintenance	$1,518	$1,964	$1,262	(35.8%)
Total	$19,712	$25,507	$20,475	(19.7%)

The savings indicate that, while enrollments increased significantly during this period, expenses for educating these students were not increased on a one to one ratio. Resources were redirected to the direct instruction of the students and away from non-academic support areas to assure that the rubella bulge students were accommodated with the limited funds we had available.

OPERATIONS AND MAINTENANCE

Question: According to the GAO report, it costs $1518 per student per year to maintain and operate the NTID Physical Plant, but it costs only $545 per student per year to operate the RIT Physical Plant. Why should it cost almost 3 times as much to educate a deaf student as it does a hearing student when both are on the same campus?

Answer: When analyzing the costs for the Physical Plant operation between RIT and NTID it is important to point out that the costs that NTID and RIT report under this category are not the same, and the appropriateness of using FTE students as a denominator needs to be taken into account.

For the year in question, fiscal year 1982, the NTID costs included $540,000 for renovations to facilities which were undertaken to accommodate the large increase in students due to rubella. This is $447 on a per student basis. RIT would include costs for similar renovations in its plant fund account which would not be a part of its Physical Plant Operations expenditures.

The costs to NTID associated with this category are allocated solely as a function of academic square footage (it does not include the costs of operating the residence halls and dining facilities, which are included in Auxiliary Services). This is appropriate as these costs are most closely related to the square footage assigned and not the number of students who occupy that space. When looking at the most recently completed year, fiscal year 1984, the operations and maintenance cost on a square footage basis was $4.05 per square foot for RIT and $4.63 per square foot for NTID. This difference of approximately 14 percent is primarily attributable to the fact that all of the NTID space is air conditioned whereas the majority of the RIT buildings are not. The fact still remains that NTID pays approximately twice as much as RIT on a per student basis, which implies that NTID has considerably more space per student than RIT. However, this stands to reason when you consider our class sizes are 2 to 3 times less than RIT's and we have more staff to house. A prime example of this is in our manufacturing processes program. The lab which supports this curriculum requires in excess of 1600 square feet, yet only accommodates 8-12 students at any one time.

STUDENT/FACULTY RATIOS

Question: At the fiscal year 1984 hearing you testified that your student/faculty ratio would have to go to 11:1 in order to accommodate the increase in students resulting from the rubella epidemic of 1963-65. Yet I understand that your current student/faculty ratio is 7.3:1 and that you are serving more students now than projected. How do you account for the discrepancy between the projection and what actually occurred?

Answer: The 7.3:1 you are referring to is based on projected 1985 fall quarter enrollment of 1320 and 182 teaching faculty. This was the ratio we used in calculating our enrollment cutback for OMB. However, when discussing our student faculty ratio in the fiscal year 1984 hearings, we were referring to 1274 full time equivalent (FTE) deaf students in our Technical Programs and the 109 Technical Program faculty who teach them which yields a ratio of 11.7:1. This is most reflective of the average faculty member's workload for the full year, since NTID operates roughly 11 months per year. The first ratio best describes our fall quarter capacity and the latter figure best approximates our annual average workload.

Question: Do you have any data showing that a faculty/student ratio of 11:1 or even 15:1 actually decreases learning in NTID's type of situation?

Answer: Though there is little data for comparison, as the GAO stated many times in its report, Gallaudet College and the State Residential Schools for the deaf are perhaps the most comparable because they serve deaf students exclusively. Their student/faculty ratios as reported by GAO are 7:1 and 5:1 respectively. The long time standard at NTID has always been 8:1, but it was based upon judgment rather than empirical data. The reason for this ratio was to allow faculty the time to deal with their students on a more individual basis. During these rubella years we are steadily increasing the ratio to a point where it will be 12:1 by fiscal year 1986. At this point, we don't have any real evidence of programmatic deterioration. However, a 15:1 ratio would be physically impossible due to the limited capacity of our labs.

RAISING PRIVATE FUNDS

Question: Most colleges and universities derive from 5-10% of their operating income from private gifts and contributions, yet NTID raises no outside money. Why is that?

Answer: NTID does not solicit private funding because the Rochester Institute of Technology (RIT), the host institution of NTID, is a private university very much in the business of soliciting private funds. Any attempt on NTID's part to solicit would be deemed as detracting from the potential of the greater institution.

Question: In fact, doesn't NTID in effect subsidize outside contributions made to RIT because those contributions often increase the "cost pools" which determine the indirect charges made by RIT to NTID?

Answer: Yes, but only to the extent of the benefit derived by NTID. If a contribution was made to expand the library, for instance, NTID would pay approximately 12 percent of the increased operating costs associated with the expansion. This is based upon the full time equivalent (FTE) NTID staff and student as a percentage of all RIT and NTID FTE staff and students. It is reasonable to assume that we would benefit in such a proportion.

Questions Submitted by Senator William Proxmire

TUITION COSTS

Question: Dr. Castle, it's been reported that it takes your students twice as long to complete the requirements for a regular two-year associate degree compared with students in other schools. Is this correct? If so, tell us why.

Answer: The following table displays the average number of active quarters and academic years (years extrapolated at 3 quarters per academic year) students require to complete their first degree. The table represents the average of 1605 individuals. It does not include graduates who entered with prior post-secondary experience, nor does it count quarters on leave of absence, periods of time on withdrawn status, our Summer Vestibule program or quarters taken subsequent to their first degree.

	Certificate	Diploma	Associate	Bachelor
Quarters	7	9	11	15
Academic Years	2.3	3.0	3.7	5.0

It must be pointed out that each of these degree levels includes at least one quarter extra due to NTID's requirement of 1 to 3 quarters of co-op experience in each of its programs.

These data differ from those described by the GAO because their's was a sample of 130 spring 1984 graduates, which included quarters on leave of absence, academic suspension, etc. Additionally, the GAO sample included individuals who were receiving their second and third degrees. It was simply the number of calendar years between entry and final graduation.

Question: What are tuition costs for the current academic year and how do they compare with Gallaudet?

Answer: The tuition costs for NTID and Gallaudet for fiscal year 1985 follow:

	NTID	Gallaudet
Tuition	$1,683	$1,684
Room	1,140	1,340
Board	1,626	1,506
Fees	273	120
Total	$4,722	$4,650

FINANCIAL AID

Question: What proportion of your students receive Federal assistance?

Answer: The proportion of our students receiving Federal assistance is 65.2 percent.

Question: Nearly 8 percent of your students with direct student loans were in default last year. That's a slight increase over the 1982 school year. What are you doing to narrow the gap?

Answer: We have made some improvements in our "due diligence procedures" in our NDSL repayment department that we feel will reverse the trend.

Question: I understand the Institute has its own grant-in-aid program. Is this financed through the Federal appropriation? If so, how much do you plan to spend next year?

Answer: Yes, the Grant-in-aid program is part of our budget each year. The amount bugeted for fiscal year 1986 is $216,000 or less than one percent of our budget request.

Question: How does this program work?

Answer: Below is a description of how we package all of our financial aid excerpted directly from the financial aid brochure produced jointly by NTID and Gallaudet:

Whatever your income, if your child qualifies for either NTID or Gallaudet, admission will not be denied because of financial need. Since even moderate costs can be a problem for some families, a variety of financial aid resources is available.

You are encouraged to apply for all types of financial aid. You and your son or daughter should not try to decide, by yourselves, if you will qualify for aid. It always is best to let the college's Student Financial Aid Office and/or other agencies to which you have applied help you make the decision. Denial of aid from one or more sources (e.g., vocational rehabilitation) does not necessarily mean you will be denied aid by all of the sources to which you have applied. RIT and Gallaudet offer extensive financial aid counseling.

Cost Minus Resource Equals Need

Cost (Student Budget)
The factors considered in determining the cost of education for a student are: tuition, fees, room, board, books/supplies, personal expenses, and transportation. The cost of transportation is determined by the distance from the student's State of residency to the college chosen.

Resources

Family Contributions
Family contributions include your child's own available funds, and the amount that you, as parents, are expected to contribute. This is determined by analysis of information provided on the Financial Aid Form (FAF). You certainly want to know what this figure is, but it is virtually impossible to supply such information in a general brochure. The age of the parents, their assets, the number of parents working, amount of taxes paid, and unusual circumstances are factors that are taken into consideration.

Other Resources

Resources also include VR support, SSI/SSD benefits, "outside" State and private scholarships, Pell Grants, and the recommended Guaranteed Student Loan amount.

Example of Financial Aid Package

Cost	$4,697
Student budget*	
Resources	
Family Contribution**	1,570
Pell Grant (estimate)	230
State Grant (possible)	250
Vocational Rehabilitation (VR)	1,187
(estimated as payment of tuition and fees)	
Total Resources	$3,237
Student Budget (cost)	4,697
Total Resources	-3,237
Unmet Need (cost minus resources)	$1,460
Grant-In-Aid (aid awarded)	-1,460

*Includes tuition, fees, books, board, personal expenditures, and transportation costs for student from the northeastern United States.

**FAF determination for a family of four with one family member in college and with an adjusted gross income of $25,125 to $25,374 (consideration of assests not included in this example).

This is just an example. Every effort is made to tailor financial aid packages to individual student needs.

Note: In this example, students who receive SSI or SSD benefits of $189 or more per month would not have an unmet need (e.g., total benefits for a nine-month academic period are $1,701).

HANDICAPPED EMPLOYMENT

Question: Dr. Castle, I understand only 60 of the 590 employed by the Institute last year were deaf. That's roughly 11 percent. Don't you think you can be better than that?

Answer: Yes, we think we can do better. In fact, we have a stated goal of 15 percent in our Annual Report. The problem for us is we are training young people to go into business and industry and not education. Thus, we don't have the one major advantage of hiring our own graduates. We try very hard, however, to find qualified deaf and other handicapped employees as well as minorities. We have had in place, for a number of years, a very active affirmative action program, and we continue to support and promote the goals and principles of that program.

Question: What's the percentage this year?

Answer: We currently have 54 handicapped employees on our staff which is just slightly over 9 percent.

Question: In what capacity are these individuals employed by the Institute? Are there any on your professional staff?

Answer: Of the 54, 6 are on the faculty, 40 are members of the professional staff and 8 are clerical employees.

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HOWARD UNIVERSITY

STATEMENT OF JAMES E. CHEEK, PRESIDENT

ACCOMPANIED BY:

- **CASPA L. HARRIS, JR., VICE PRESIDENT FOR BUSINESS AND FISCAL AFFAIRS, TREASURER, HOWARD UNIVERSITY**
- **THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION, DEPARTMENT OF EDUCATION**

INTRODUCTION OF ASSOCIATE

Senator WEICKER. Our next witness in the special institutions category is President James Cheek of Howard University.

It is nice to have you with us. Why don't you introduce those who share the platform with you here?

Dr. CHEEK. Thank you, Mr. Chairman.

I have with me Dr. Caspa Harris, our vice president for fiscal and business affairs.

Senator WEICKER. You proceed in any way that you care to.

PREPARED STATEMENT

Dr. CHEEK. Mr. Chairman, I would like to submit the opening statement for the record and call the committee's attention to the request that is being made for fiscal year 1986, which is $151,230,000, which funding level represents a decrease of $7 million from the 1985 appropriation.

Of the amount being requested, $129,124,000 is for the Academic Program, and $22,106,000 is for the Howard University Hospital.

That concludes my summary.

[The statement follows:]

Statement of James E. Cheek

It is my pleasure to present the 1986 budget request for Howard University of $151,230,000. This level of funding represents a decrease of $7,000,000 from the 1985 appropriation.

To help control the Federal budget deficit, the request is based on the general freeze policy being applied to much discretionary domestic spending. Funding is thus requested for the two core components at the same level as 1985: $129,124,000 for the Academic program and $22,106,000 for the Howard University Hospital. This funding level will require some restraint on the part of the University (for example, salary increases would not be paid), but ongoing programs and activities would be maintained.

In fiscal year 1986, funds are not being requested for Construction, the matching Endowment fund, or Research.

Consistent with the policy applied to domestic programs, new construction at Howard University will have to be deferred given the current fiscal situation.

In 1985, $2 million was appropriated to initiate the corpus of the matching Endowment Fund. Funds are not requested in 1986 for this activity because neither the University nor the Department knew, at the time budget decisions were made, how quickly the University would be able to raise the funds to match the first appropriation.

A special $5 million appropriation was enacted in 1985 to provide an extra boost to Howard's research capacity and to improve the University's ability to compete for Federal and other research funds. The 1985 appropriation was a one-time increment.

Mr. Chairman, I am prepared to answer questions concerning this request from you or members of the Committee.

Biography of James E. Cheek

POSITION : President, Howard University

BIRTHPLACE AND DATE : Roanoke Rapids, North Carolina - December 4, 1932

EDUCATION : Public Elementary Schools, Greensboro, North Carolina
James B. Dudley High School, Greensboro, North Carolina
Immanuel Lutheran College, Greensboro, North Carolina
Shaw University, Raleigh, North Carolina, B.A., 1955
Colgate-Rochester Divinity School, Rochester, New York
Master of Divinity, 1958
Drew Univerity, Madison, New Jersey, Ph. D., 1962

EXPERIENCE :

PRESENT : President, Howard University
1963-1969 : President, Shaw University, Raleigh, North Carolina
1961-1963 : Assistant Professor of New Testament and Historical Theology, Virginia Union University, Richmond, Virginia
1959-1961 : Instructor in Western History, Union Junior College, Cranford, New Jersey
1959-1960 : Teaching Assistant in Historical Theology, Drew Theological School, Madison, New Jersey

ASSOCIATION MEMBERSHIPS

Board of Directors : First American Bank, N.A.
National Permanent Federal Savings and Loan Association
The James S. Brady Presidential Foundation
Joint Center of Poitical Studies
National Association for Equal Opportunity in Higher Education
National Capital Area Council, Inc., #82 Boy Scouts of America
United Nations Association, Capital Area Division, Board and Advisory Committees

Board of Trustees : Consortium of Universities of the Washington Washington Metropolitan Area
Federal City Council
Fisk University
United Way of the National Capital Area
Washington Center for Metropolitan Studies

Board of Advisor : Association for the Integration of Management, Inc.
Close Up
Colgate-Rochester Divinity School, Advisory Board
GWETA, Community Advisory Council
Institute for the Study of Educational Policy
InterFuture, International Advisory Council
International Telephone and Telegraph Corporation, College Scholarship Program
Minorities in Engineering, National Advisory Council
National Archives Advisory Council
National Coordinating Council on Drug Abuse, Education and Information, Inc.
National Council for Black Studies, National Advisory Committee
National Urban League and Booker T. Washington Foundation, TV Career Awareness Advisory Review Board

School Review, National Advisory Board
Speak Out!
Washington Urban League

HONORS AND RECOGNITIONS : Doctor of Humanities, Shaw University, 1970
Doctor of Humane Letters, Trinity College, 1970
Doctor of Laws, North Carolina Argicultural and Technical State University, 1971
Doctor of Laws, Drew University, 1971
Docteur Honoris Causa, l'University d'Etat d' Haiti, 1972
Doctor of Education, Providence College, 1972
Doctor of Laws, Delaware State College, 1972
Doctor of Humanities, University of Maryland 1975
Doctor of Divinity, Bucknell University, 1975
Doctor of Laws, New York Institute of Techonology, 1980
Doctor of Laws, University of North Carolina, 1981
Doctor of Humane Letters, Duke University, 1982
Doctor of Humane Letters, Fisk University, 1984

Other Recognitions : Alpha Kappa Delta, Sociology Honor Society
Sigma Pi Sigma, Physics Honor Society
Phi Delta Kappa, Education Honor Society
Phi Beta Kappa, Scholastic Honor Society
Alpha Theta Nu Theological Fraternity
Alpha Phi Alpha Fraternity
Colgate-Rochester Graduate Fellow, 1958
Lilly Foundation Fellow, 1958 and 1959
Rockefeller Doctoral Fellow, 1960
Presidental Medal of Freedom, 1983

Howard University

Budget Authority by Activity

(dollars in thousands)

		1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1.	Academic program	$132,604	$129,124	$129,124	$129,124
2.	Endowment grant	--	2,000	2,000	--
3.	Research	--	5,000	5,000	--
4.	Hospital	22,106	22,106	22,106	22,106
5.	Construction	1,490	--	--	--
	Total	$156,200	$158,230	$158,230	$151,230

THE HOWARD INN

Senator WEICKER. Last year, we discussed the purchase by Howard University in 1981 of the Harambee House Hotel for $1.3 million. As of June 30, 1983, the accumulated operating deficit was over $4 million. While the hotel was supposedly acquired for the purpose of using it as a training laboratory for a hotel management program, as of February of last year no students had been trained at the Howard Inn.

How successful has the Marriott Corp., been in reducing the deficit since last may, and how many students have been trained in the Hotel Management Program since last year?

Dr. CHEEK. Thus far, the Marriott Corp., which has not been with us yet an entire year, has reduced the operating losses thus far by about $300,000 from what it was last year at this time.

Some of the management activities that are contained in the Marriott proposal have not yet been implemented, many others have been implemented, and some are still in the discussion stage. After a presentation to be made by representatives from Marriott at our board meeting next week, we expect all aspects of their activities to be underway.

With respect to the number of students who served an internships this summer, the number was 15, as we had indicated last year. There currently are 16 students in actual internships. It is anticipated by the dean of the college that there will be 20 students in the Internship Program during the coming summer.

The total enrollment in the Hotel Management Program in the school of business at the present time is 65 students, with a projected enrollment of 200 over the next several years. Last year was only the second year of the program.

Senator WEICKER. Do you have a signed contract with Marriott?

Dr. CHEEK. Yes; we do.

Senator WEICKER. Basically, what does that call for? In other words, the title to the property is still in the name of Howard University?

Dr. CHEEK. It is still in the name of Howard.

Senator WEICKER. What, basically, is the responsibility of Marriott?

Dr. CHEEK. Marriott has total responsibility for the operation of the hotel, except that aspect of it that relates to policy in terms of student training. They do participate in that, obviously.

The manager of the hotel is an employee of the Marriott Corp.

With respect to those aspects of the contract that have not yet been fully implemented, these are such things as using the Marriott purchasing system, using their computerized bookkeeping system and also having available for our use their experts in various aspects of hotel management to assist us in evaluating each component of the hotel's operation.

Senator WEICKER. Do they pay you anything for this operation?

Dr. CHEEK. We pay Marriott for the management service that they provide. The contract provides that Howard University and Marriott share in the profits, when profits materialize.

Senator WEICKER. Since when have they been managing the hotel?

Dr. CHEEK. Since last July.

Senator WEICKER. You do feel that so far they have reduced the deficit by $300,000. What is your estimate of the loss for this year?

Dr. CHEEK. Mr. Chairman, it probably will be about $1 million, which is $2 million below what it was 2 years ago. According to the information provided to us by the hotel industry, it is indicated that the operation of a new hotel—and our acquisition, although the building had been in existence for several years, represented a new venture—it is indicated that it will take from 4 to 5 years before a new hotel operation is expected to break even.

Senator WEICKER. What is the term of your contract with Marriott?

Dr. CHEEK. It is currently a 1-year contract.

Senator WEICKER. So the meeting with the trustees is to determine whether or not to renew that contract?

Dr. CHEEK. No; it is not to renew the contract. The meeting is to review their proposals and recommendations for further improvements in the management of the hotel.

Senator WEICKER. Let me say this, I hope you will stay in contact with the committee because, again I have to repeat, I don't think the taxpayers are prepared to go ahead and finance this. I am gratified to know that compared to 2 years ago, the loss is only $1 million, but we are not talking about an educational institution now, we are talking about a hotel.

I know what your response is going to be, it is part of our Hotel Training Program. All I want to say, at this juncture, nobody is prepared to close this down. But, I repeat, we are going to be watching it closely. I don't see any reason why, from the taxpayers' point of view, that we should be footing the bill for the real property. Indeed, if the training is accomplished both by personnel at the university and by Marriott in its function of running the hotel, it is a different story. But as a real estate investment, it doesn't seem to me to be a very good one.

Dr. CHEEK. Within the next 2 years, if we do not have a substantial change in the way that the profit and loss statement appears, the committee won't have to take any initiative with respect to that. The initiative will be taken by the administration of the university.

HOWARD LAW SCHOOL LIBRARY BUDGET

Senator WEICKER. Last year we also discussed the situation at the Howard Law Library, that is, that compared to other law school libraries, according to the American Association of Law Libraries, Howard's Law School Library ranks last with 166 reporting institutions in the percent of its budget spent on library materials, but Howard ranked third of 166 in the percent of its law library budget spent on salaries and wages.

You responded that you believed it was necessary to maintain the number of library staff. You also stated that the library has been standing still in terms of acquisitions due primarily to the absence of requests made for funds. The justification speaks to a reorganization of the university libraries.

Have you increased the law library's acquisition budget from the previous year's level of $130,000?

Dr. CHEEK. The library budget for the law school has been increased by a little more than $200,000.

Senator WEICKER. So it is $300,000.

Dr. CHEEK. It has been increased. We had agreed with the Association of American Law Schools to increase the acquisitions budget by $330,000. The first increment was $100,000 and the second increment was $230,000.

I should indicate to you, Mr. Chairman, that in order to provide these increases, we had to decrease the budgets for other library units at the university because the request for the appropriation that was provided in the 1984 supplemental for library acquisitions which was anticipated to meet this or help meet it, along with some other things with respect to the libraries, was not carried forward in the university's 1985 base.

So what we, in fact, have done, we have made a commitment based upon an expectation, which expectation was grounded in what has been a process, an automatic process during the 16 years that I have been here, namely, that when a supplemental appropriation is provided that addresses program improvement, it is automatically built into our base. So we are wrestling with the problem of how to sustain the increase that we gave for the law library in 1984 because of the failure to have the money carried forward in 1985, as well as in 1986.

THE PRESIDENT'S HOUSE TRANSACTION

Senator WEICKER. The Washington Post has recently reported that last year the university sold to you the house where you have lived rent free since 1969. The house was apparently sold to you for less than one-half of its assessed value, but then bought back by the university 9 months later for the same price, according to the District of Columbia real estate records.

Apparently, your house was sold to you last March for $115,000. The full purchase price was financed by the university with a mortgage at 5 percent interest. The prevailing interest rate at that time was about 13 percent. The value of the house last year was $267,000.

I have to ask the question as to why you were interested in buying the house, in which you already lived rent free, and then why did you sell it back to the university in December.

Dr. CHEEK. As you know, Mr. Chairman, it is standard for American universities to provide housing for their president.

Senator WEICKER. I would agree with that.

Dr. CHEEK. Howard University in 1959 adopted a policy, that is, its board of trustees, rather than maintaining the president in a home on campus that the president would select his own house, and would purchase the house—the house would be purchased by the university, and then sold to the president at a particular level of interest.

In that arrangement in 1959, it also provided an allowance to pay the mortgage to amortize the house.

When I was appointed in 1969, it was a part of the appointment contract that we would select our own house, and the university would purchase the house, and we could exercise the option at any time to purchase the house from the university at the price paid by the university at 5 percent interest.

Quite frankly, we had decided several years ago not to exercise that option because it was our intention that when my tenure as president ended, my wife and I had planned to return to North Carolina where we already maintained a home. For a variety of reasons, we decided that at such point in time when I no longer served as president, that we would remain in the Washington area, and decided to then proceed to purchase the house under the terms in the board of trustees' resolution.

This condition was, of course, approved by the trustee committee on executive compensation. We did not know at the time some of the implications of that arrangement, and when our advisor brought it to our attention, we were advised to have the sale rescinded which was agreeable to the committee, and to have their intent restructured in another way.

It so happened that in the District of Columbia, one cannot rescind a real estate transaction. You can do that in the Commonwealth of Virginia, or in the State of Maryland. The only way to restore the situation to a status quo it was for it to be handled as a sales transaction, although there was no money involved, except refunding the payments of mortgage and interest.

Senator WEICKER. I still don't understand. You bought it in March for $115,000, and then you sold it 1 year later.

Dr. CHEEK. No; the same year.

Senator WEICKER. But for $267,000.

Dr. CHEEK. No; the same amount.

Senator WEICKER. The same amount?

Dr. CHEEK. Yes.

EXECUTIVE COMPENSATION

Senator WEICKER. I have a lot of questions for response to the record, but I have one last one here.

Last year, the General Accounting Office reported the salaries for Howard's top executives, that is, president, vice presidents, and general counsel, were consistently higher than the median salaries for executives at similar schools. Your salary ranked 16th when compared with the salaries of other presidents; and the salaries of Howard's vice presidents and general counsel all ranked in the top 10. In contrast, the faculty compensation was in line with the faculty compensation at similar higher education institutions.

Among these positions, within the last 12 months, which have been granted salary increases and in what accounts?

Dr. CHEEK. None has been granted an increase.

Mr. Chairman, I may call your attention to the fact that we had Peat, Marwick, Mitchell & Co., conduct a study because of the difficulty we had with the methodology used by the GAO. This report was submitted to the committee in January, and Peat, Marwick, using their experts, and the head of the team is internationally recognized as an expert in his field, indicates that all of the salaries which you have made reference to are in line with those paid to comparable officials at comparable universities.

Senator WEICKER. Peat, Marwick are your normal accountants, aren't they?

Dr. CHEEK. We did not use their accounting division for this purpose, we used their educational management division. It is the same company, of course.

FACULTY SALARY INCREASES

Senator WEICKER. You say that there will be no faculty increase this year?

Dr. CHEEK. There will be no faculty increase this year because we have no provision in the fiscal year 1986 request to provide for any.

EXECUTIVE SALARY INCREASES

Senator WEICKER. And there is no executive increase for this year?

Dr. CHEEK. We have no funds for that purpose either.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record, and I thank you very much.

Dr. CHEEK. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ADEQUACY OF 1986 BUDGET

Question: We know you are facing many potential accreditation problems, that there are several physical defects which should be corrected, that there are many areas which could use many improvements if we are to provide Howard students with the quality education to which they are entitled. We also know that tuition fees have been raised considerably in the last three years. Yet, this budget comes to us asking no resources with which to correct any of these problems. How, then, can you come to us with a budget like this?

Answer: The Department of Education states that the reason for presenting a budget like this is the Nation's need to reduce the Federal deficit. The Department reports that the University would have preferred to address some of the problems with additional resources in the 1986 budget, as we did in 1984 and 1985, and in prior years, but it is not possible under the President's overall budget policy to request increased funding for the academic program. As was true with regard to other programs, the University's request was higher than the final budget.

Question: What are your goals, hopes, desires and dreams for this institution which is Howard?

Answer: Our goals, hopes, desires and dreams for Howard are to develop and maintain fiscal, physical and human resources on a basis of equity and parity with the eleven representative universities that are comparable to Howard in institutional complexity, curriculum scope and academic standards.

Question: Why haven't you requested funding specifically for effectively tackling some of these accreditation problems?

Answer: The Department reports that the University has requested every year funding specifically for removing every deficiency related to accreditation standards and for funding to enable the university to meet more than the minimal standards. It did so again for 1986 in its submission to the Department. Unfortunately, such funding was not included under the President's overall deficit-reduction plan.

Question: What do you plan to do in order to improve the size of collections in the University and Law School Libraries to make them more compatible with other libraries?

Answer: The Department observes that the University's plans to improve the size of collections in the University and Law School Libraries would be deferred under the President's Budget, unless the University obtains additional private support for this activity.

Question: What do you plan to do to improve the level of faculty research throughout the University program?

Answer: The Department reports that the University's plans for continuing improvement of the level of faculty research were predicated on the assumption that the new research funding appropriated in 1985 would be continuing in 1986 and beyond. When this item was originally proposed and supported by the Administration, the University understood that it was to be a continuing feature of Federal support.

Question: If we pass this budget, can you possibly hope to improve the University's ability to gain academic quality to eliminate some of these problems? Will you even be able to balance your budget?

Answer: The Department believes that passage of this budget will cause a hiatus in the University's improvement efforts. If such a hiatus lasts only one year the University may be able to get by with minimal losses of staff, standing, and momentum. President Cheek is concerned, however, that even a one-year hiatus may have a detrimental effect on the University.

LEGAL SETTLEMENTS

Question: There have been many press reports over the last two or three years about the settlements in which the University has been involved, particularly with respect to court cases involving alleged discrimination. Many of these --perhaps most of these -- were settled out of court or not in Howard's favor, therefore requiring monetary payment by Howard to the complainant.

- Why do there seem to be far more of these cases at Howard than at any other university of comparable size?
- From what account are these settlements paid, and how much have they totalled over the last three years?
- What action is the University taking in an effort to prevent the cause of these actions?

Answer: Our findings, based primarily on information provided by the National Association of College and University Attorneys (NACUA), are that, in fact, Howard is not involved in more employment discrimination or other cases than any other university of comparable size.

There may be an appearance of Howard being involved in more discrimination cases because the University, as the capstone of the civil rights movement, may receive a greater amount of publicity than comparable universities.

Moreover, the University owns and operates a major teaching hospital in the Metropolitan Area. At present, the hospital accounts for over half of the University's pending lawsuits.

Finally, the District of Columbia is one of the most litigious communities in the country. Therefore, one would expect that institutions in the Metropolitan Area would be subjected to law suits of all types.

The voluntary settlement costs from the University's settlement accounts are as follows:

Fiscal Year 1983	$ 217,025
Fiscal Year 1984	$ 527,934
Fiscal Year 1985 (thru April 15, 1985)	$ 113,183

The voluntary settlement costs* paid from the Self Insurance Trust Fund for the Hospital are as follows:

Fiscal Year 1983	$1,244,738
Fiscal Year 1984	$1,645,672
Fiscal Year 1985 (thru April 15, 1985)	$ 853,544

The University already has a loss control program for preventive and remedial measures against practices that may engender claims or suits arising out of the operations of the Hospital.

With respect to other suits against the University, particularly employment litigation, the University is currently developing preventive measures in an effort to decrease the number of employment and other suits.

MASTER BUILDING PROGRAM

Question: Do you presently have a Master Building Program Plan?

Answer: The University has a Master Development Plan that incorporates the building program. The plan was first developed in 1932 and was updated in 1975 and 1981.

CONSTRUCTION PLAN

Question: What is the construction plan currently?

Answer: The construction plan that was developed in the Master Development Plan has been updated as a result of the Congress requesting the Univeristy to have all of its physical facilities needs (including present and future buildings) studied and evaluated by external architectural-engineering consultants. The Congress appropriated funds for these studies in 1979 and 1980 which amount to $425,000. These studies have now been completed and the construction plan has been revised to provide for the construction of:

1. A new Physical Sciences Building for instruction and research in all of the physical sciences (e.g., physics, physical chemistry, computer science, mathematics, applied engineering and cognate disciplines).

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*These costs are paid without any admission of liability on the University's part.

2. A new Dormitory Complex for housing freshman female students comparable to the existing Dormitory Quadrangle for female students.

3. A new dormitory for housing freshman male students to be constructed next to the existing "Drew Hall."

4. An apartment complex to provide housing for graduate, professional and married students to be constructed on Georgia Avenue to the West of the Central Campus.

5. Additional classroom facilities for instruction and research within the Central Campus boundary to accommodate the existing need for additional space in the arts and sciences, fine arts, human ecology and communications. Additional new construction is required for The School of Law (classrooms and the Law School Library) located on the West Campus.

6. Additional Parking Facilities.

7. Convocation Center.

The studies, funded by these appropriations from the Congress, also provide a comprehensive study and evaluation of existing buildings that should be renovated. These studies indicate that all of the older buildings on the Central Campus must undergo varying degrees of renovation, including instructional, housing and administrative support services.

The longer the implementation of the current construction (and renovation) plan is deferred the more costly its implementation will become. In the meantime, Howard's faculty and students are required to be engaged in teaching-learning-research endeavors in facilities that are sub-standard with equipment that is obsolete, and supplies and materials that are inadequate.

TUITION COSTS

Question: What have been the annual tuition costs for Schools and Colleges of Howard University including the School of Dentistry, Medicine, Music, Law?

Answer: The following schedule of comprehensive tuition for the past five years sets forth annual tuition charges for all Schools and Colleges at Howard University.

HOWARD UNIVERSITY
SCHEDULE OF COMPREHENSIVE TUITION

EFFECTIVE FOR FISCAL YEAR 1984-85

SCHOOL OR COLLEGE	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85
Liberal Arts	$1,550	$1,750	$2,000	$2,200	$2,400	$2,700
Education	1,550	1,750	2,000	2,200	2,400	2,700
Graduate School	1,550	1,750	2,000	2,200	2,400	2,900
Social Work	1,550	1,750	2,000	2,200	2,400	2,700
Business	1,550	1,750	2,000	2,200	2,400	2,700
Communications	1,550	1,750	2,000	2,200	2,400	2,700
Engineering	1,550	1,750	2,000	2,200	2,400	2,700
Architecture	1,550	1,750	2,000	2,200	2,400	2,700
Fine Arts						
Music	1,618	1,818	2,000	2,200	2,400	2,700
Art & Drama	1,550	1,750	2,000	2,200	2,400	2,700
Medicine	2,400	2,600	3,000	3,500	3,700	4,500
Dentistry	2,000	2,200	2,600	2,900	3,100	3,700
Dental Hygiene	1,550	1,750	2,000	2,200	2,400	2,700
Pharmacy	1,550	1,750	2,000	2,200	2,400	2,700
Nursing	1,550	1,750	2,000	2,200	2,400	2,700
Law	1,800	2,000	2,400	2,750	2,900	3,400
Religion	1,550	1,750	2,000	2,200	2,400	2,700

ENROLLMENT CLASSIFICATIONS AND PROJECTIONS

Question: What percentage of your enrollment is undergraduate, graduate, professional? What is your projected enrollment for fall, 1985?

Answer: The data are presented in the following schedule:

HOWARD UNIVERSITY ENROLLMENT 1984-85
AND
PROJECTED ENROLLMENT 1985-86

	Enrollment 1984-85	Percentage	Projected Enrollment 1985-86	Percentage
UNDERGRADUATE	8,998	71	9,348	70
GRADUATE	2,175	17	2,350	18
*PROFESSIONAL	1,420	12	1,532	12
TOTAL	12,593	100	13,230	100

*Includes: Medicine, Dentistry and Law

UNIVERSITY AND HOSPITAL REVENUE BUDGET BY AMOUNT AND PERCENTAGE

Question: What percentage of Howard University's operating budget comes from Congressional appropriation? Please give a break-down of percentages and/or dollar amounts that non-Federal sources of financial support represent in your total budget such as student fees and tuition, student aid, gifts, endowment income, collection of patient fees from the hospital, etc.?

Answer: Following is both a percentage and a dollar breakdown of Howard's 1985/86 operating budget. While the Howard University Hospital is an integral part of Howard University, the budgets are maintained on a separate basis. The Howard University Hospital budget for 1985/86 is not yet available because internal budget hearings have not been completed. However, I will supply, for the record, the Hospital budget data for 1984/85, which are the latest available budgetary data. (The information follows:)

HOWARD UNIVERSITY
BUDGET
1985 - 1986

REVENUE	Amount	Percentage Distribution
Student Fees-Tuition	$ 32,223,200	15.2%
Student Fees-Other	4,944,260	2.3
Endowment Income	925,000	.4
Government Appropriation	129,124,000	60.9
Gifts and Grants	24,700,000	11.6
Sales and Services-Educational Departments	55,300	--
Organized Activities-Educational Departments	278,900	.1
Other Revenue	3,500,000	1.7
Total Eucational and General	$195,750,660	92.2
Auxiliary Enterprises	11,288,500	5.3
Student Aid	2,500,000	1.2
Total Revenue	$209,539,160	98.7
Provision for Unrealized Income	2,649,256	1.3
Total Revenue Budget	$212,188,416	100.0%

HOWARD UNIVERSITY HOSPITAL
BUDGET
1984 - 1985

REVENUE	Amount	Percentage Distribution
Patient Revenue		
Inpatient	$ 67,570,000	60.0%
Outpatient	12,538,000	12.0
Total Patient Revenue	$ 80,108,000	72.0
Federal Appropriations	22,106,000	20.0
Recoveries from Bad Debts	5,000,000	5.0
Other Operating Revenues	2,200,000	2.0
Non-Operating Revenues	1,435,000	1.0
Total Revenue	$110,849,000	100.0%

FACULTY SALARY INCREASES

Question: To what extent have you allowed for faculty salary increases in your budget?

Answer: There is no allowance for faculty salary increases in the fiscal year 1986 appropriation request. As a result of the administration's overall budget policy, the academic program was frozen at the 1985 level. Thus, compensation increases were not included in the proposed request.

Question: How does Howard rank in terms of salary--is it competitive with other similar institutions?

Answer: Howard University faculty salaries are no longer competitive with faculty salaries of other similar educational institutions according to the American Association of University Professors (AAUP) latest study for category 1, complex educational institutions where Howard is normally ranked. I am presenting a schedule of Howard's faculty salary ranges on a comparative basis with those of the AAUP as follows:

HOWARD UNIVERSITY

Comparative Table of Howard University Average Faculty Salaries With AAUP Average for 1982/83 to 1984/85

	1984-1985		1983-1984		1982-1983	
	HU Projected	(1) AAUP	(2) HU	AAUP	(3) HU	AAUP
Professor	$ 42,600	$ 46,900	$ 41,675	$ 43,950	$ 38,588	$ 40,220
Associate Professor	$ 32,000	$ 33,430	$ 30,422	$ 30,440	$ 28,169	$ 27,940
Assistant Professor	$ 26,400	$ 27,335	$ 25,005	$ 24,530	$ 23,153	$ 22,500
Instructor	$ 21,800	$ 21,690	$ 19,447	$ 19,970	$ 18,007	$ 18,300

(1) Table 4, Weighted Average Salary for Men and Women Faculty by Category, Type of Affiliation Category I, Academe, Bulletin of the American Association of University Professors, March-April 1985, pg. 12.

(2) Represents 1983 average salary plus 8.0% increase.

(3) Represents 1982 average salary plus 8.0% increase.

(Note AAUP does not project)

PROPOSED REDUCTION IN STUDENT AID FUNDING

Question: In light of the administration's proposals to reduce available Federal student aid under the Pell Grant, Guaranteed Student Loan and other Higher Education Act programs, I am sure you have analyzed what effects these proposals would have on your students. What proportion of students now enrolled at Howard receive Federal student aid under the student financial aid Programs?

Answer: For the 1984/85 school year, approximately 61 percent of the students enrolled at Howard University received assistance under some federally supported financial aid program.

Question: What would be the effect on Howard of reductions in these programs?

Answer: With 84 percent of Howard students receiving financial aid from various sources and 69 percent of students' families below the national median for family income, it is clear that the impact of reduced student aid would be great.

A 7 percent to 10 percent decrease in enrollment is anticipated in the undergraduate areas if the $4,000 maximum cap on Federal aid for each student becomes a reality. Students from lower income families will not be able to pay the additional three to four thousand dollars to meet the cost of attending Howard University.

It is anticipated that the Graduate School of Arts and Sciences and the School of Law will be adversely affected by the GSL proposed income ceiling of $32,000 for prospective participants. Approximately 82 percent of the students in the School of Law participate in the GSL program. Options for this group of students would be to drop out of school or to seek assistance through the Professional Educational Finance Plan (a private loan source) which has interest rates tied to the ninety day Treasury Notes. The GSL proposal could reduce a 500-student enrollment in the School of Law by one-third.

Fifty percent of the students enrolled in the Graduate School of Arts and Sciences participate in the GSL program. They are not eligible to participate in the private loan plan available to Law students. These are older students with families and without funds under GSL would probably have to restrict their studies to part-time enrollment, thus prolonging receipt of the advanced degree. Such part-time enrollees rarely complete the requirement for the degree.

MATCHING ENDOWMENT FUND PROGRAM

Question: How long do you currently anticipate that it will take Howard University to raise its 50 percent matching share to the $2 million Federal endowment grant that was included in the fiscal year 1985 Department of Education Appropriations Act (P.L. 98-619)? How does this time period compare with that of higher education institutions participating in the Higher Education Act's title III endowment program for developing institutions? If there is a significant difference in this time period please explain why you believe this is so.

Answer: As of April 22, 1985, the University has received payments and pledges of $1,506,610 for the Matching Endowment Fund Program. Data are not available to us to compare the University's success in this regard with other institutions participating in the Higher Education Act's Title III endowment program for developing institutions.

RESEARCH FUND PROGRAM

Question: What use has Howard University made--to--date--of the $5 million in research appropriations that were included as part of the Department of Education's FY 85 appropriation? Why do you believe that Howard University will have the capacity to generate sufficient research capital in FY 86 to continue efforts begun in fiscal year 1985 without the need for a special FY 86 research appropriation; particularly in light of your proposal to freeze Howard's academic program funding?

Answer: As of April 22, 1985, the University has allocated the fiscal year 1985 Research Fund Appropriation of $5 million as follows:

Purchase of research equipment and renovation of research laboratories	$ 3,250,000
Health Affairs for Research Fellowship Grants	652,500
Academic Affairs for Research Fellowship Grants	647,500
Graduate School of Arts and Sciences to maintain the University Research and Development Program (HURD)	$ 150,000
Symposia and Seminars	50,000
	$ 4,750,000

In addition, $250,000 has been allocated to create the Office of Public and Private Sector Initiatives. This Office will initiate concentrated activities to increase Federal, corporate and foundation support for scientific and engineering research and related educational activities at Howard University. The Office is also responsible for the staff support to the National Advisory Council for Research at Howard. The Council will advise and assist the University in obtaining resources and the University's research contributions. The University has also appointed an Internal Research Committee. The Committee's initial task has been the review of proposals and papers submitted for consideration of research fellowship awards. However, the University does not believe that it will have the capacity or ability to generate sufficient research capital in fiscal year 1986 to continue efforts begun in fiscal year 1985.

Thus, as a result, the University believes that the expectations for this activity cannot possibly be realized as originally contemplated.

If the funds appropriated for this program are not included in the appropriation for fiscal year 1986 for Howard, very little will have been accomplished by providing these funds in the fiscal year 1985 appropriation. The time and effort devoted by the University to implement and develop this program will have been a useless enterprise if the program is not continued in the fiscal year 1986 appropriation. The language contained in the justification for this new activity on the basis of which the Congress appropriated these funds in fiscal year 1985 presumes a continuation of funding for this activity.

The University has never proposed to freeze program funding for its academic program. However, the freeze proposal for 1986 is necessary to comply with the administration's overall budget policy.

During a period spanning almost sixteen years, I have sought to place before the subcommittees of the Senate and the House the fact that Howard was being undersupported in its Federal appropriation in comparison with the other "Special Institutions" as well as in comparison with the eleven universities used by Howard for purposes of comparison.

The University has also appointed an Internal Research Committee. The Committee's initial task has been the review of proposals and papers submitted for the consideration of research fellowship awards.

The University does not believe that success in strengthening its research activities can succeed without continued Federal support.

HOWARD UNIVERSITY HOSPITAL COST CONTAINMENT MEASURES

Question: Your FY 86 budget request for the direct Federal share of operating Howard University Hospital is $22.1 million, the same as in FY 85. What cost-containment measures would the Hospital have to implement in FY 86 to compensate for this freeze in direct Federal support without having to decrease the quality of service-delivery?

Answer: Because of the need for the Howard University Hospital to implement cost-containment measures to compensate for the freeze in direct Federal support, several measures are being implemented. Within the administrative authority of the Hospital, labor contracts are being negotiated reducing the rate of pay increases; at the sacrifice of staff development, educational travel is being curtailed; the competitive bidding process has been extensively used to reduce supply costs; old equipment is being repaired rather than replaced; the expansion of educational and service programs has stopped; employee positions that become vacant are not filled; in preparing for fiscal year 1986, knowing that the Medicare and Medicaid programs are targeted for significant reductions and that the Federal support for the Hospital budget has not increased since 1977, the Howard University Hospital will continue a non-expansionary program. Thus, it becomes evident that cutbacks will affect those persons of the population who have the greatest need because 79 percent of the Hospital's in-patient care is provided to the poor, the aged, and the medically indigent.

Question: How plausible is it that the Howard University Hospital would be able to implement these measures?

Answer: The Howard University Hospital, in implementing certain cost-containment measures to compensate for a freeze in direct Federal support in fiscal year 1986, would operate at the risk of reducing the quality of patient service delivery. The effect of the cost-containment measures is being reviewed and our program revised as appropriate to maintain the best program possible.

Question: Generally, what is the current annual rate of increase for hospital care costs in the Washington, D.C. area?

Answer: The available data indicate the current annual rate of increase in operating expenses of hospitals in the Washington area is 6.9 percent.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

HEALTH PROFESSION LOAN PROGRAM DELINQUENCIES AND UNIVERSITY ACTION TAKEN

Question: President Cheek, I understand the University has been suspended from participating in the Health Professions Student Loan program because of the high default rates in three schools. At the end of last year, apparently more than 40% of Howard's medical students were delinquent under this program as well as 33% of its dental school students and 55% of the pharmacy students. What's being done to recover these funds?

Answer: The University administration has completely reorganized the Student Loan Division, separated out the Collection Department and this unit now reports directly to the Vice President for Business and Fiscal Affairs - Treasurer. The University has employed two full-time attorneys to head the Collection Department and has engaged the services of the following:

1. Three collection agencies for hard core cases -especially skip tracing.

2. Engaged the services of The Wachovia National Bank to improve billing and collection services thereby eliminating further risks of delayed billings.

3. Engaged the services of a national law firm service bureau that has access to the courts in every major city in the United States. Already, we have filed numerous suits through this firm.

4. Engaged the services of Peat, Marwick, Mitchell & Co., a national C.P.A. firm to assist in bringing our files up to date and to review and make recommendations as to (1) whether current collection efforts and procedures are adequate, (2) to determine if the collection staff is properly trained and if current staff are sufficient and (3) if there are other collection procedures that should be implemented.

5. The in-house attorneys are preparing and have filed numerous lawsuits in the metropolitan area with instructions to expedite the practice when debtors fail to respond to timely default notification. In addition, we have added several new staff personnel (collectors) and expanded our telephone network for the use of the loan collectors.

6. The University has invited representatives of the Department of Health and Human Services (HHS) to review our collection activities to assure that strict compliance is underway with Federal collection policies and procedures. They are expected to begin this review by May 15, 1985.

7. Our exit interview procedures were expanded to include senior and junior class seminars with the loan collection department, the student loan office, our attorneys, the respective Deans of the Colleges and the Treasurer of the University.

These are the major activities that have taken place during the past six months in an effort to bring the delinquency rate in line with the national average.

Question: What's the total amount owed to the University under this program and how many defaulted loans does this represent?

Answer: The total amount owed the University in the Health Profession Loan Program by schools and colleges as of March 31, 1985 are as follows:

College of Medicine

Principal loaned	$4,022,416
Principal repaid	$1,227,506
Principal owed	$2,794,910
Total principal delinquent	$ 415,823
Total number of delinquent borrowers	215

College of Dentistry

Principal loaned	$3,262,546
Principal repaid	$ 970,926
Principal owed	$2,291,620
Total principal delinquent	$ 370,015
Total number of delinquent borrowers	356

College of Pharmacy

Principal loaned	$ 796,798
Principal repaid	$ 206,826
Principal owed	$ 573,733
Total principal delinquent	$ 119,413
Total number of delinquent borrowers	103

Question: How old are these loans? I'm looking for a range - from when to when?

Answer: The age of the delinquent loans vary by schools and colleges. The range is as follows:

College of Medicine

61 days and over - 181 borrowers - $267,117
The delinquencies range from July 4, 1965 to the present date.

College of Dentistry

61 days and over - 140 borrowers - $214,169
The delinquencies range from July 4, 1965 to the present date.

College of Pharmacy

61 days and over - 97 borrowers - $111,835
The delinquencies range from August 23, 1966 to the present date.

Question: I understand you have until June 30th of this year to get the delinquency rate down to 5% or else return whatever funds are presently available in this revolving-fund-program. Do you think you can meet this target?

Answer: It is my understanding that we must either reduce the default rate to 5 percent by June 30, 1985 or reduce the default rate by 50 percent of the June 30, 1984 default rate in each of the schools and colleges to remain in the program. We are trying to meet the later requirement of reducing the June 30, 1984 default rate by 50 percent no later then June 30, 1985. This is going to be difficult but we are concentrating on this effort with every possible resource available. We are hopeful that we will meet this objective, at least in the Colleges of Medicine and Dentistry. While it is not possible to provide a firm answer at this time as to the actual success rate, I can, however, assure the Committee that we are doing everything possible to reach this objective.

DIRECT STUDENT LOAN PROGRAM DELINQUENCIES

Question: What about the default rate under the direct student loan program? In 1982 the rate was 29.6% and it dropped down to 19.3% last year. What was it last year?

Answer: Last year the National Direct Student Loan default rate was 16.54 percent . While this is a reduction of 2.8 percent over the prior year, it is still too high a default rate in our opinion. We will continue to make every effort to reduce the default rate in this program until it is below the average national default rate if at all possible.

UNIVERSITY FUND RAISING GOAL

Question: In 1984, I understand the University's fundraising goal was $6 million. This year, it's been raised to $8 million. What's your goal next year?

Answer: Our goal for the 1985/86 fiscal year is $8.5 million.

UNIVERSITY ACCUMULATED OPERATING DEFICIT

Question: Last year you reported an accumulated operating deficit of $8.7 million as of June 30, 1983. Were you able to reduce this?

Answer: The accumulated deficit for 1984 was $6.2 million or a decrease of $2.5 million over the reported accumulated deficit of $8.7 million for fiscal year 1983.

Question: How much -- on a percentage basis -- of the deficit is associated with Howard Inn?

Answer: On a percentage basis, the entire 1984 accumulated deficit of $6.2 million is attributable to the operation of The Howard Inn.

Question: What plan do you have to eliminate the deficit?

Answer: The University administration, under the guidance and direction of its Board of Trustees has taken a number of steps to eliminate the deficit. The total elimination of the deficit is expected to be accomplished over a 4 year period in order not to unduly interfere with the educational program. For example, we have frozen the purchase of all equipment; implemented rigid control over the acquisition of supplies and other expenses; frozen the hiring of new personnel in all areas except for emergency purposes; revamped the non-faculty salary scales to extend in-grade increases from an additional six months for lower grade employees to an additional twelve months for higher grade employees; reviewed the annual leave program to reduce leave balances available for carryover by month; implemented many energy conservation programs and will discontinue certain operational units of the University beginning July 1, 1985.

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OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

STATEMENT OF CAROL PENDAS WHITTEN, DIRECTOR

ACCOMPANIED BY:

GEORGE RIOS, DEPUTY DIRECTOR, OFFICE OF BILINGUAL EDUCATION AND MINORITY LANGUAGES AFFAIRS

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. Next we have Carol Pendas Whitten, the new Director of the Office of Bilingual Education and Minority Languages Affairs to testify on behalf of the administration's fiscal year 1986 request for bilingual education.

Ms. Whitten, welcome. Why don't you proceed in any way you choose.

Ms. WHITTEN. I have a brief summary.

First of all, I would like to say that I am very pleased to be here. This is my first day on the job, and I am very honored to have been selected by Secretary Bennett, and I find it especially fitting that I should spend my first hours before Congress because I do intend to work closely with you.

Senator WEICKER. Nice to have you here. I might add that you are in charge of a very, very important area, and I trust that it is in good hands.

Ms. WHITTEN. I am aware of that.

I have a brief version of my statement and I don't know whether you would like me to give that, or just submit it for the record.

Senator WEICKER. Why don't you submit your complete statement for the record, but I am interested in your reviewing the gist of that statement with us.

Ms. WHITTEN. Very well.

[The statement follows:]

STATEMENT OF CAROL PENDAS WHITTEN

I am pleased to appear before the Committee today to testify on the fiscal year 1986 budget request for Bilingual Education.

For fiscal year 1986, we are requesting $143 million for the Bilingual Education account. We propose to fund the Title VII program at the same level as in 1985, and request no funds for the Emergency Immigrant Education program. We also propose to rescind the $30 million appropriated in 1985 for this program. Maintaining the Bilingual Education program at the current level and rescinding funds for the Emergency Immigrant Education program are proposed to help control the Federal deficit.

As you know, most programs administered by the Office of Bilingual Education and Minority Languages Affairs are designed to support school districts in the establishment, operation, and improvement of bilingual education projects to serve limited English proficient children. These programs, under Part A of the Bilingual Education Act, are intended to help districts build the capacity to continue to serve target children when Federal funds are reduced or are no longer available. The 1986 budget request continues to emphasize development of the capacity of school districts and States to serve limited English proficient children.

Grants and contracts are also provided for support services under Part B and training under Part C. Awards are made to a variety of eligible applicants including local school districts, State educational agencies, universities, and non-profit as well as for-profit organizations. Funds for the Bilingual Vocational Training program are included in the request although administration of this program has been transferred to the Office of Vocational and Adult Education.

For 1986 the budget includes appropriation language to make certain changes in the distribution of funds. The language would reallocate funds to activities where the greatest need exists, clarify certain ambiguities in the law, and provide some additional flexibility to the Department in administering the program.

One change would override the 75 percent reservation for Programs of transitional bilingual education and the 4 percent reservation for special alternative instructional programs. Funds should be available for bilingual programs based on the needs of individual school districts rather than be subject to funding limitations contained in the new law. Schools should not arbitrarily be denied access to Federal aid under Title VII simply because they use a particular teaching method. Other language would remove the 25 percent set-aside for training since the resulting amount is far in excess of the need for resources in this activity. A legislative proposal is also under consideration.

Within the proposed level for Title VII, funding for training and technical assistance activities in Part C will be reduced and the majority of these resources redirected to classroom instructional programs in Part A.

Bilingual Programs

For Part A Bilingual Programs, we are requesting $104 million, an increase of $9.1 million over the 1985 revised level. At this level we would be able to fund about 62 more projects and serve almost 20,000 additional students compared to fiscal year 1985. Federal aid would continue to be provided to build local capacity to educate limited English proficient children. Part A projects are designed to teach children English a to help them enter all-English educational programs as soon as possible.

Support Services

Under Part B Support Services, we are requesting $11.1 million for fiscal year 1986, an increase of $500,000 over the 1985 revised level. The activities within this part are: State educational agency assistance, research and evaluation, a national clearinghouse for bilingual education, and evaluation assistance centers. The increase of $500,000 is proposed for the operation of the evaluation assistance centers and to cover a small expansion of the State educational agency grant program.

Training Grants

The budget request of $24 million for Part C Training Grants is $4.5 million less than the amount specified for fiscal year 1985 in conference report language. However, because of the set-aside in effect for 1985 under the new authorizing statute, it is $9.6 million less than the amount available in 1985. We believe that previous estimates of the need for new bilingual teachers have been exaggerated and that our request provides sufficient funds for both preservice and inservice training.

The proposed reduction in funds for training is supported by the findings of several research studies. The Classroom Instructional Component Study found that almost all local school projects currently provide inservice training to some or all of their teachers using their Part A grants. Two other studies suggest that some new bilingual teachers have difficulty finding employment in bilingual projects which probably indicates a decrease in the need for preservice training. Under these circumstances, we believe that limited Federal dollars should be directed primarily to inservice training both in Part C activities and through Part A grants.

At the request level, Part C funds will provide degree-oriented training for some 5,000 undergraduate and graduate students at about 110 institutions of higher education. Funds will support multifunctional resource centers which provide inservice training and technical assistance to school district personnel in evaluation methods, project management, and classroom teaching skills. In addition, approximately 18 grants will be awarded for short-term training institutes for parents, teachers, and administrators.

Bilingual Vocational Training

For Bilingual Vocational Training, we are requesting $3.7 million, the same as the 1985 level. At this level, the Department expects that approximately 1,300 students and 150 instructors will receive training. As previously mentioned, this program is now administered by the Office of Vocational and Adult Education.

Emergency Immigrant Education

No funds are requested for the Emergency Immigrant Education program in 1986. In addition, we are proposing to rescind the $30 million appropriated in 1985 for this program. Emergency Immigrant Education provides general aid to school districts with concentrations of immigrant children. However, most of these children who need educational services are also eligible for services under other Federal programs -- principally Chapter 1, Migrant Education, Chapter 2, and the Title VII Bilingual Education program.

My colleagues and I would be happy to respond to any questions the Committee may have.

BIOGRAPHY OF CAROL PENDAS WHITTEN

POSITION	Director, Office of Bilingual Education and Minority Languages Affairs
BIRTHPLACE AND DATE	New York City, N.Y., December 4, 1945
EDUCATION	Barry College, Miami Shores, Florida, 1967, B.S. Barry College, Miami Shores, Florida, 1971, M.S.
EXPERIENCE	
1985 - Present	Director, OBEMLA
1984 - 1985	Congressional Liaison Officer, Office of Legislative Affairs, U.S. Department of Labor
1983 - 1984	Special Assistant to the Deputy Under Secretary for Management, U.S. Department of Education
1982 - 1983	Executive Assistant to the Acting Director, National Institute of Education, U.S. Department of Education
1980 - 1981	Education Program Specialist, Women's Educational Equity Act Program, U.S. Department of Education
1976 - 1978	Girls counselor, advanced Spanish teacher, Palmer Preparatory School, Miami, Florida
1971 - 1976	Director of guidance, guidance counselor, chairman of home economics department, Immaculata-LaSalle High School, Miami, Florida
1969 - 1971	Chairman of home economics department, advanced Spanish teacher, Madonna Academy, Hollywood, Florida
1967 - 1969	Teacher of home economics and American history, Notre Dame Academy, Miami, Florida
LANGUAGES	Spanish (native, Cuban-American) and French

Bilingual Education

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Bilingual programs (Part A)......	$89,567	$100,459	$99,230	$95,099	$104,165
2. Support services (Part B)........	13,502	10,100	11,535	10,600	11,100
3. Training grants (Part C).........	32,610	25,000	28,500	33,566	24,000
4. Bilingual vocational training....	3,686	3,686	3,686	3,686	3,686
5. Emergency immigrant education....	30,000	---	30,000	---	---
Total.......	169,365	139,245	172,951	142,951	142,951

SUMMARY STATEMENT

Ms. WHITTEN. The request reflects our continuing commitment to providing aid to school districts to establish programs to serve limited English proficient children balanced against the need to help curtail the Federal deficit.

For programs under the Bilingual Education Act and bilingual vocational training programs, we are requesting $143 million, the same level as 1985. No funds are requested for the Emergency Immigrant Education Program, and we have proposed to rescind the funds available for this program in 1985.

Most of the children served by this program who need educational services are also eligible for services under other Federal programs.

Within title VII programs, we are requesting an increase of $9.1 million for bilingual education programs for part A, with a corresponding decrease in funding in training and technical assistance, part C. This distribution of funds reflects our belief that services for children should be the primary emphasis within the program.

I would like to point out that a substantial percentage of part A grants to school districts is used for in-service training. In order to accomplish this redistribution, we are proposing appropriation language to override the statutory set-asides in the new bilingual statute.

Our appropriation language would also override other set-asides within part A to make funds available for bilingual programs based on the needs of new school districts, rather than be subject to funding limitations contained in the law.

We believe that schools should not arbitrarily be denied access to school aid under title VII simply because they use a particular teaching method.

Once more, it is a pleasure to be here. With me today is George Rios, Deputy Director of the Office of Bilingual Education and Minority Language Affairs, and Sally Christensen.

LEGISLATION

Senator WEICKER. Let me say this as a matter of policy, and everybody had to go through this, so it is no aspersion on you at all.

I indicated when I took over as chairman, as a matter of policy of this committee, that we would not handle legislation in this committee that is properly handled by the authorizing committees, which doesn't mean to say that my colleagues don't try to stick it on when it is on the floor, they do.

I think in all fairness to everybody, what we try to do is to set that in its proper place which is the authorizing committees.

EMERGENCY IMMIGRANT EDUCATION

I would imagine, from the one reduction in the budget, that it is the emergency immigrant education that has been knocked out?

Ms. WHITTEN. Yes, Senator.

Senator **Weicker**. Am I right that my friend, Senator Chiles, might have some questions for the record on that, but not at the moment.

TRAINING

In any event, I have a few questions here. The Department's own projections show that while overall school-aged populations will grow approximately 16 percent by the year 2000, language minority school aged will increase by 40 percent by the year 2000.

Apparently, you dispute that the number of limited English proficient children in the United States totals 3.6 million, and you estimated no more than 2.4 million.

You then propose to reduce the amount for training by $9 million and add the $9 million to the basic grants in order to reach 20,000 more children than the 200,000 who are now being served. However, this switch in funding would result in cutting in half the number of teachers who could be trained in 1986.

My questions are: How will training fewer qualified teachers help to meet the needs of the huge projected increase in the numbers of students who will require special language instruction over the next 15 years?

Ms. **Whitten**. First of all, a significant amount of in-service training will take place under part A. The first 6 months of these grants under part A must be devoted to activities such as in-service training, so that is one component that we think might address this need.

Also, there has been heavy emphasis in the office on training. From 1969 through 1985, we spent $433 million in total, and a great deal of that on building the capacity of institutions of higher education to offer bilingual teacher training programs.

Another issue involved in training is that the definition of qualified bilingual education teachers used in prior estimates is very restrictive and also assumes that only one method, for these children is appropriate. There are other qualified teachers out there. There has been quite a bit written on this and I will be glad to provide it for the record, Senator.

Senator **Weicker**. We will take it for the record.

[The information follows:]

Demand for New Bilingual Teachers

Prior estimates of the need for new bilingual teachers used a very restrictive definition of qualified bilingual teacher which excluded many teachers with adequate preparation. Furthermore, these estimates were based on exaggerated estimates of the number of children who needed services and assumed that the only appropriate educational method to meet these needs was transitional bilingual education.

The 1983-84 "Study of Teacher Demand and Shortage," conducted by the National Center for Educational Statistics, found only 260 shortages or vacancies nationally for bilingual education teachers. This study clearly demonstrates that a significant unmet demand for new bilingual teachers does not exist. A similar survey conducted in 1979 found 320 shortages suggesting that demand may actually have decreased. Methodological differences, however, may account for this decline. Data from other studies also show that the need for new bilingual teachers is not so great as previously assumed.

For example, a study of bilingual teacher training programs found that only 52 percent of the graduates of these programs actually found employment in bilingual education. The draft report of the 1983 "Teacher Language Skills Survey" indicates that significant numbers of public school teachers, with preparation for teaching in bilingual classrooms, are instead employed in other areas. Several studies have also concluded that recruitment of students is a significant problem in bilingual teacher training programs.

TRANSFERRING OF TEACHERS

Senator WEICKER. I would be very worried by what various officials of the administration consider to be the transferability, if you will, of teachers in this area. This is a very specialized area. I remember the administration's approach toward special education, this was before I became chairman of this committee, when Jack Schmitt, the Senator from New Mexico, was chairing this committee. When it came to teacher training, the administration took the rather cavalier, but uninformed attitude that there was a surplus of teachers out there, and therefore, he was going to transfer those to special education, and there is a big difference between the two, as I think we would both agree.

Obviously, the expertise of a teacher clearly comes into play in the bilingual area. I don't think that you can just go ahead and take a teacher and make him a bilingual teacher, and I think that that is what is of concern to us, especially when we know what lies ahead.

BUDGET FREEZE

My next question would be the obvious one. As we look at this freeze, it has to be said that at least $8 million more would be required next year in order to maintain the same services that are being provided this year. How do you explain that?

Ms. CHRISTENSEN. It is quite true that if we added money for inflation, it would cost that much. Again, this is a program that we have protected by level funding it. We don't have any cuts.

Senator WEICKER. Except the cut imposed by inflation.

Ms. CHRISTENSEN. Yes; the one imposed by inflation.

Senator WEICKER. You are not prepared to state that there is no inflation.

Ms. CHRISTENSEN. I am not prepared to state that there is no inflation. I am prepared to state that the inflation has gone down drastically in the past 4 years.

Senator WEICKER. There is no argument about that, but we do have an inflation factor.

SERVICES UNDER CHAPTER 1

Ms. CHRISTENSEN. Right, but there are also surpluses at the State and local levels, and the bilingual program provides quite a small percentage of the total that goes to bilingual education. For instance, about 11 percent of the money under chapter 1 provides services and special compensatory education to limited English proficient children.

Senator WEICKER. Carol says that you want chapter 1 money to pay for everything.

Ms. CHRISTENSEN. No; chapter 1 money pays and it always has paid for services to a variety of children, including handicapped children, and under the basic grants, it has always provided services to children who are limited English proficient.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. Thank you very much.

Ms. WHITTEN. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

LEGISLATION

Question: Since some major modifications were made to the Bilingual Act when it was reauthorized just prior to the end of the last Congress, it is interesting that you have requested of us somewhat extensive revisions to this new law in appropriations language. You have stated that "a legislative proposal is also under consideration."

Have you sent this proposal to the authorizing committees yet?

Answer: The Department's legislative proposal is still under consideration and has not been sent to the authorizing committees.

Question: When you say "Schools should not arbitrarily be denied access to Federal aid ... simply because they use a particular teaching method," what do you mean? Do you oppose transitional bilingual programs?

Answer: The Department is not opposed to transitional bilingual education projects. We believe, however, that schools should have the maximum discretion possible in designing programs to meet the educational needs of limited English proficient children in the district. Transitional projects, which use the native language of the children, are one option but other educational approaches designed to meet the needs of limited English students may be more appropriate in many situations.

Question: What do you believe is the most effective way to get limited-English proficient children into the mainstream?

Answer: The Department does not recommend any particular approach for preparing limited English proficient children to enter English language classrooms. There is a broad range of educational alternatives designed to meet the educational needs of these children and any of these methods may be appropriate under local circumstances. School districts are in a far better position than the Federal Government to make these educational choices.

NEW PART A ACTIVITIES

Question: Do you oppose the new legislation's authorization of funding for developmental programs, family English literacy and instructional materials?

Answer: Under current circumstances these activities are a relatively low priority for funding under Part A. Developmental programs, which seek to strengthen the native language skills of language minority children and teach a foreign language to native English speaking participants, divert resources from those children most in need. Services similar to those of the family English literacy program are available through the short-term training activity under Title VII and those provided to an estimated 700,000 adults and out-of-school youth by the Adult Education program.

Instructional materials projects were funded by the Department on a relatively large scale in the past. Subsequently it was discovered that many of the products developed were never used by school districts and that materials for common language groups were available from a variety of sources. Furthermore, districts which receive awards for transitional bilingual programs, developmental programs, and special alternative instructional programs are required to spend the first six months of their grant period in preservice activities which may include materials development.

LIMITING GRANTS TO THREE YEARS

Question: The 1986 budget request proposes an amendment to limit bilingual education Part A Grants to no more than three years unless an extraordinary need exists in the school district.

Isn't it true, however, that over half of the school districts receiving aid have gotten this Federal assistance for over six years because they either have a steady and sizeable influx of limited or non-English proficient students or they are financially incapable of providing these services without Federal assistance?

Answer: The Department does not have sufficient information to confirm or deny this estimate. The statement implies, however, that the Federal bilingual program is a service program which covers the operating costs of such projects. In reality, bilingual grants are intended only to help school districts develop the capacity to operate such programs rather than to provide long-term aid.

Question: How would you determine what constitutes "extraordinary need"?

Answer: Our legislative proposal is still being developed and a decision has not yet been made whether to establish a need standard by statute or by regulation. In either case, our intent would be to ensure that districts with established capacity to operate bilingual programs do not continue to receive Federal support beyond the three-year grant period.

Question: How would a school district necessarily gain the financial capacity automatically after three years and therefore be able to support the program on its own?

Answer: The Bilingual Education program was never intended to develop the financial capacity of school districts. Capacity building, in the sense used in the bilingual education program, relates to curriculum design and the teacher training necessary to implement a special program for limited English proficient students. Once this capacity is developed, there should be no further need for direct Federal assistance. We believe that three years is normally sufficient for school districts to develop this capacity. Nonetheless, districts may continue to participate in training and other activities provided by the multifunctional centers, evaluation assistance centers, the national clearinghouse and short-term training institutes.

BASIC GRANTS

Question: How do you conclude that the FY 1986 budget request for an increase of $9,066,000 in bilingual programs under part A would fund 62 additional basic grant projects and would serve 19,736 more students?

Answer: In the absence of experience operating the five new Part A activities, the Department based this estimate on fiscal year 1984 data from the basic grant and demonstration grant activities. The actual number of projects and students served by the increase may be significantly greater or smaller.

INSTRUCTIONAL METHODS

Question: The FY 1986 budget request proposes an amendment to place alternative instructional programs such as English-as-a-second-language and immersion on an equal basis with transitional bilingual education in funding basic grant projects under Part A. What criteria would the Department of Education use to ensure that each school district applying for a new grant has proposed the instructional methods most suited to the needs of limited-English proficient students in its district?

Answer: The policy of the Department is to allow school districts the maximum flexibility possible to design programs for limited English proficient children in the district. We believe that the Federal Government is not in a position to determine which approach will work best under local circumstances. Data required by the application process, however, requires districts to justify the approach proposed in terms of the needs of children in the district. Applicants will be awarded points in the competitive process based on the quality of the justification provided.

Question: What evaluation criteria would the Department of Education use to assess the appropriateness and effectiveness of the applicant district's bilingual instructional methods once funded?

Answer: The Department intends to publish final regulations containing a comprehensive design for evaluating Part A programs in July. These evaluations are principally to serve local needs for program improvement. Application requirements in the statute provide adequate assurance that schools will assess the needs of their limited English proficient children and design an appropriate program which responds to those needs.

DISTRIBUTION OF BASIC GRANT FUNDS

Question: Currently, the three States which receive the greatest portion of bilingual education local grants are Texas, California and New York. Would this change, and if so, how, if your proposed amendment to allow more title VII funds for alternative instructional approaches were enacted?

Answer: We have no reason to believe that the legislative change mentioned in our Congressional Justification would alter the current distribution of funds to Texas, California and New York.

ALTERNATIVE INSTRUCTIONAL APPROACHES

Question: What portion of the applications you have received thus far for FY 1985 funds under part A would use alternative instructional approaches?

Answer: The application notice for new bilingual awards was published in late April. No applications for special alternative instructional programs have yet been received.

Question: What portion of the total basic grant projects do you estimate would be used for alternative instructional approaches if your FY 1986 proposed changes were enacted?

Answer: The number of applications received in fiscal year 1985 for special alternative instructional programs will provide a rough indication of demand for these grants in 1986. At present, however, we have no way of estimating this demand. As soon as all 1985 applications for this activity are received, we will be happy to provide you with this information.

SERVICES UNDER CHAPTER 1

Question: How many limited-English proficient students currently receive supplementary educational services under Chapter 1 of the Education Consolidation and Improvement Act through the use of alternative approaches such as total immersion and English-as-a-second-language?

Answer: An estimated 522,000 Chapter 1 students receive some kind of educational service specifically designed for limited English proficient children. This group constitutes 11 percent of the total Chapter 1 population.

Question: If your FY 1986 proposal were accepted, would there be a duplication of effort between local grant recipients using alternative instructional approaches for limited-English proficient students under title VII and serving these same children under Chapter 1?

Answer: Since Chapter 1 is a service program and Bilingual Education is a capacity building program, these programs are complementary rather than duplicative. Capacity built up in a school district with a Title VII grant can enhance the quality of services provided under Chapter 1 to limited English proficient students. Furthermore, if a district had been providing services to such students using Chapter 1 funds, but wanted to expand or improve its program, a bilingual education award could be used for this purpose.

PROPOSED LEGISLATION

Question: If your FY 1986 proposed changes to the bilingual education program were enacted, how would these new provisions be implemented specifically in regard to the programs of academic excellence and the family English literacy projects?

Answer: The legislative proposal has not yet been finalized. Provisions currently under consideration, however, would have little if any effect on these two programs.

Question: How would these new provisions affect preschool, special education, and gifted and talented projects which are preparatory or supplementary to the basic grants to school districts?

Answer: The legislative proposal has not yet been finalized. Provisions currently under consideration, however, would have little if any effect on this program.

TRAINING

Question: In your FY 1986 budget request you state that your proposed decrease in training grants reflects research findings which indicate that the demand for new bilingual education teachers is less than previously estimated. Can you provide us with estimates of the current and future demands for trained bilingual education teachers in the United States? Upon what studies or sources of information do you base your estimates of the demand for new bilingual education teachers in the U.S.?

Answer: The 1983-84 "Survey of Teacher Demand and Shortage" conducted by the National Center for Education Statistics found only 260 shortages, or vacancies nationwide for elementary and secondary bilingual education teachers. While this study used a very restrictive definition of "shortage," it clearly signals that there is not a significant unmet demand for new bilingual teachers. A similar survey conducted in 1979 found 320 shortages suggesting that demand may actually have decreased. Methodological differences may, however, account for this decline. Findings from other studies also raise serious questions about the wisdom of continuing to emphasize preservice teacher training. A 1981 study of bilingual teacher training programs (RMC study) found that only 52 percent of teachers completing the program actually secured employment in the field of bilingual education. The Teacher Language Skills Survey also identified a significant number of teachers with some training in bilingual education who were not using their skills. Several studies have concluded that recruitment of students is a serious problem for preservice teacher training programs.

While the Department will continue to fund preservice teacher training programs, we intend to do so at a reduced level. Inservice training, which can be a less costly and more effective way to meet immediate needs for better trained teachers, will continue to be provided through the short-term training institutes and multifunctional centers. Inservice training, which has always been a significant activity within Part A grants to school districts, will likely increase because of the requirements of the new authorizing statute. This new language requires districts to spend the first 6 months of the grant period for preservice activities such as inservice training.

Question: How many bilingual education teachers are currently being trained in institutions of higher education?

Answer: We have no recent data on new bilingual teachers currently being graduated from colleges and universities. A 1981 study funded by the Department estimated that in the 1979-80 academic year, 1,394 bilingual teachers and 1,018 bilingual teacher trainers were graduated. Over the past 5 years we believe this number has grown.

Question: How many of these are supported by the Federal bilingual education training grants?

Answer: Of the 1,394 bilingual teachers graduated in 1979-80, 878 were graduates of Title VII funded programs. Of the teacher trainer group, 764 were from federally funded bilingual programs.

Question: How did you conclude that the FY 1986 budget request for a decrease of $9,566,000 in training grants would fund 65 fewer pre-service and in-service training projects, 176 fewer fellowships, 2 fewer training institutes, and no school of education grants?

Answer: These estimates were based on the best available data from the 1984 program year. They assume that average project costs and participant expenditures remain the same. The choices among the different training activities reflect current Departmental policies.

Question: Have applications for these programs decreased over the last several years? If not, what is your rationale for assuming there would be less need for Federal bilingual training funds?

Answer: The number of applications in the different training activities has remained relatively constant over the past three years. Allocation of resources among the training activities in the Bilingual Education program is not decided, however, on this basis. Making awards merely because universities and other applicants desire Federal funding would make little sense if there were no need for the graduates of such programs. The Department believes that a far better method for allocating resources is to assess the demand for teachers produced by these programs. The November 1983 survey of job vacancies by the National Center for Education Statistics provided extremely useful information in this regard. Findings from several other studies also strongly suggest that the need for new bilingual teachers is less than had previously been estimated.

Question: You state in your FY 1986 budget request that considerable capacity is now present in institutions of higher education to train new bilingual teachers without the help of Federal funds. What portion of this training capacity is currently supported by institutions of higher education? What portion of this training capacity is presently dependent upon Federal funds?

Answer: The Department reviewed award lists for the past ten years and identified at least 238 different institutions of higher education which have received grants to implement or expand bilingual teacher training programs. We believe that the majority of these institutions continue to operate bilingual teacher training programs. In fiscal year 1984, the Department made 137 awards, leaving 101 institutions which no longer receive funding under this activity.

Question: Your FY 1986 budget request contains no funds for school of education grants, a program which basically supports the salaries of university instructors in bilingual education programs. What evidence do you have that universities are financially capable of assuming these costs?

Answer: The school of education grants activity provides funds for reform, innovation, and improvement in graduate education curricula and in recruitment and retention of higher education and graduate school faculty. The Department proposed last year to phase out this activity and expects 1985 to be the final year of the program. We do not believe that this action will result in the disappearance of any bilingual education teacher training program.

A recent evaluation of this activity found that 23 of the 25 projects studied were expanding existing teacher training programs rather than implementing new ones. Nonetheless, student recruitment was listed as a problem by most of these projects. During the third year of these awards, many project coordinators were successful in developing proposals for other grants.

Question: Is there any information on the number of university instructors for bilingual education pre-service training?

Answer: A 1976-77 survey by the National Center for Education Statistics found that 235 institutions of higher education were operating programs to prepare educational personnel to work with limited English proficient students. We believe that over the intervening years this number has grown substantially. As of the end of fiscal year 1984, the Department had funded a total of 238 different institutions of higher education to establish, operate, or improve such programs. We do not have data on the number of university instructors associated with these programs.

Question: Can you provide us with information on the universities which in your estimation have quality pre-service training programs for bilingual education instructors?

Answer: The Department believes that the application process for the Educational Personnel program ensures that the projects funded are generally of good quality. We would be happy to forward to the subcommittee a list of the 137 institutions funded in 1984.

EVALUATION ASSISTANCE CENTERS

Question: Please justify your FY 1986 budget request of $900,000 for the support of two evaluation assistance centers? Specifically, what would the increase of $400,000 over the FY 1985 request support in FY 1986?

Answer: We expect the new evaluation assistance centers to play a key role in improving the quality of local evaluations through provision of technical assistance in evaluation methods to Part A grantees. The Education Amendments of 1984 require that these evaluations conform to regulations implementing Section 733 which the Department will soon publish. These centers will be established closely following the model of the Chapter 1 technical assistance centers. Since the multifunctional resource centers currently have the responsibility to provide similar assistance, we are developing new policies to ensure that schools receive the assistance they need while avoiding duplication between the two activities. We will fund two evaluation assistance centers in 1985 but expect to expand the scope of this activity in 1986 once policies are established. We estimate that this growth will cost an additional $400,000. Considering the size of the respective populations and certain differences in responsibilities, these costs are in line with those of the similar Chapter 1 centers.

NATIONAL CLEARINGHOUSE FOR BILINGUAL EDUCATION

Question: Please describe the specific strategies that the Department of Education will explore in the next year to eliminate the duplication of effort between the National Clearinghouse for Bilingual Education and the Educational Resources Information Center (ERIC)?

Answer: Various offices within the Department have reviewed a recent evaluation of the clearinghouse activity which concluded that costs associated with it were unusually high as compared to other similar Federal activities and that activities overlapped with those of ERIC. At this time the new Director of the Office of Bilingual Education and Minority Languages Affairs is consulting with these offices and expects to make final decisions within the next few weeks as to how these problems will be resolved.

Question: Which clearinghouse services does the Department of Education view as duplicative and unnecessary and why?

Answer: In response to a request from the Department, the clearinghouse recently completed a study of overlap with ERIC and discovered that 32 percent of the items in the Bilingual Education Bibliographic Abstracts data base were also in ERIC. This duplication means that, in many cases, two different sets of highly trained individuals are reviewing and abstracting the same articles and reports. These abstracts are then maintained on two separate data bases which are both available to the general public. While the Department plans to take steps to eliminate this overlap in the near future, no decision has been made yet as to how this will be accomplished.

Question: What does the Department estimate the additional cost savings would be in eliminating clearinghouse services?

Answer: The Department does not plan to eliminate clearinghouse services but plans instead to streamline operations by coordinating activities and eliminating duplication of effort. Different alternatives under consideration would result in different levels of cost savings. Since no final decision has been made as to how these goals are to be accomplished, we are unable at the present time to provide an estimate of savings.

Question: The National Clearinghouse for Bilingual Education (NCBE) is up for re-competition. We understand that the request for proposal (RFP) for this contract has been delayed due to the question of whether it should continue to be awarded on an open competitive basis or be set aside under the "8A" program. Will this contract be awarded within sufficient time to avoid discontinuity of services, especially if a different contractor is selected?

Answer: Award of the new clearinghouse contract was originally scheduled for June 30, 1985. Current plans call for an award early in the fourth quarter. Since the current contract continues until September 30, we do not expect any significant problem in the availability of clearinghouse services.

Question: What is the current status of the contract "8A" or open competitive?

Answer: The clearinghouse procurement is currently listed as an 8(a) contract.

Question: Will the NCBE be funded at its current level in the future?

Answer: The fiscal year 1986 request for the clearinghouse is $1.5 million. In the Congressional Justification, however, we note that this is a maximum figure and that we hope to reduce the budget through eliminating duplication and increasing clearinghouse cost effectiveness.

Question: How will the NIE contribution to the NCBE be handled?

Answer: No fiscal year 1986 funding for the clearinghouse is included in the NIE budget request.

STATE DATA COLLECTION

Question: The Education Amendments of 1984 (P.L. 98-511) expanded the role of State education agencies in collecting data on the limited-English proficient population. Please describe for us what types of data State education agencies are collecting on the limited-English proficient population in FY 1985?

Answer: Proposed regulations governing the operation of the SEA grant program in fiscal year 1985 will be published within a few weeks. These regulations restate the data collection requirements of the statute. We hope that the proposed methods for collecting and reporting these data will make data sufficiently uniform to be useful at the national level.

Question: What new information do you have, or expect to obtain, concerning the limited-English proficient population?

Answer: While the Department will make every effort to ensure that data will be uniformly collected and reported, we are not sure that it will be possible to aggregate these data at the national level. We are confident, however, that in many cases this data collection effort will benefit the States and enable them to better plan and coordinate services for limited English proficient students within the State.

RESEARCH

Question: It is our understanding that the Office of Planning, Budget and Evaluation (OPBE) has been charged with implementation of the Office of Bilingual Education and Minority Languages Affairs research agenda. How is the OPBE receiving input from OBEMLA and the field?

Answer: On June 14, 1984, Secretary Bell disbanded the inter-office bilingual research coordinating committee which had managed bilingual research funds since 1978 and made the Office of Bilingual Education and Minority Languages Affairs responsible for bilingual research and the Office of Planning, Budget and Evaluation responsible for bilingual evaluation. He directed the two offices to work together to share as much information and expertise as possible. The offices currently consult in the development of statements of work for new projects, and selection panels include representatives of both offices.

Question: Are the results of the studies being disseminated to users in the field? How is it being done?

Answer: Research results are disseminated through a variety of methods. Findings from key studies are described in the newsletter of the national clearinghouse and abstracts of studies are prepared for the Bilingual Education Bibliographic Abstracts data base of the same institution. Results are also abstracted by the National Institute of Education's ERIC system. The first phase of a major effort to synthesize the findings of all federally funded bilingual education research was recently completed. This project will make a major contribution to publicizing results of research studies. Research findings are also used in Departmental reports such as the "Condition of Education," the "Annual Evaluation Report," and the "Condition of Bilingual Education in the Nation". The Department also expects that beginning in fiscal year 1985, workshops and seminars will be held to address translation of research findings into effective training methods and strategies as part of ongoing bilingual training activities.

Question: Has there been an emphasis placed on conducting studies which were congressionally mandated?

Answer: All bilingual studies funded by the Department respond to general mandates in the Bilingual Education Act. Periodically, the Congress, in appropriation report language, has instructed the Department to conduct certain studies. In the fiscal year 1985 House report, four recommended studies were listed. Of those, three are currently underway and the Department intends to make the fourth study area--evaluation of Title VII training components--a high priority for funding in fiscal year 1986.

Question. What have been some of the major findings of the research agenda?

Answer: Some major findings, by topic, of the Bilingual Education research agenda are:

Number of Children in Need of Services

Ten years ago the Department initiated a program of research to estimate the number of language minority, limited English proficient children in the Nation. This continuing research effort has involved several private contractors and a long-term cooperative effort with the Bureau of the Census. Based on these efforts, the Department currently estimates that 2.4 million language minority children, ages 5-17, score below the 25th percentile of English speaking children on a nationally developed measure of English language proficiency and, therefore, probably need special educational assistance. This could include programs aimed at language deficiencies, such as bilingual education, immersion, and ESL programs, or possibly compensatory education aimed at broader educational problems, such as Chapter 1 reading and language arts programs. English is the usual language of approximately half this group.

The final report of the "Descriptive Phase of the National Longitudinal Evaluation" estimated there are 1.3 million language minority, limited English proficient children in the Nation's public and private schools, grades K-12. Ninety-four percent of these children are being provided with some kind of special instruction.

Teacher Supply and Demand

Several studies from the bilingual research agenda have contributed to our knowledge of the supply of bilingual teachers and the demand for their services. These studies include: "The Teacher Language Skills Survey," "A Study of Teacher Training Programs in Bilingual Education," and the "Survey of Teacher Demand and Shortage" of the National Center for Education Statistics. Principal findings of these studies include:

o in 1980-81 there were 57,000 teachers in public schools in the U.S. with skills for teaching limited English proficient students -- 37,000 of these teachers were using English as the language of instruction;

o between 1976-77 and 1980-81, the number of teachers with skills for teaching limited English proficient children increased by 32 percent;

o only 52 percent of the 1980-81 graduates of teacher training programs were teaching in bilingual programs; and

o in 1983-84, only 260 shortages for bilingual teachers were found nationwide in elementary and secondary schools.

Program Management and Implementation

Several studies have collected and analyzed data on how bilingual programs are implemented throughout the country. Two important studies in this area are the "Classroom Instructional Component Study" and the "Descriptive Phase of the National Longitudinal Evaluation." Some key findings from these studies are:

- despite the past long-term Federal emphasis on transitional bilingual education, 57 percent of the Nation's schools with limited English proficient children use English as the medium of instruction for these students;
- schools with large populations of limited English proficient children tend to use methods involving native language instruction rather than all English approaches;
- schools in more affluent neighborhoods are less likely to adopt approaches that use the children's native language than are those in low income neighborhoods;
- 66 percent of teachers in Title VII projects in operation in 1980-81 reported they were proficient in a language other than English -- 40 percent of the classroom teachers were certified in bilingual education;
- teachers reported using English more than 70 percent of the time in English reading and language arts, ESL, mathematics, social studies and science -- the native language was used 88 percent of the time for instruction in native language reading and language arts -- overall, English was the language of instruction 72 percent of the time; and
- schools serving predominantly Spanish-speaking students often used the native language as a major means of instruction, but 91 percent of the districts where students were from non-Hispanic groups used all English instruction.

A more comprehensive view of the results of the bilingual education research agenda can be obtained from a project funded last year to synthesize the results of all research and evaluation efforts funded by the Department since 1975. The material will be organized into approximately seven major issue papers. These will be available in June 1985.

Question: What types of studies are projected over the next fiscal period?

Answer: Several major studies will continue through fiscal year 1986 including the congressionally mandated National Longitudinal Evaluation, the immersion study which compares the achievement gains of students in immersion projects with that of students in transitional bilingual education projects, an evaluation models study, and a special issues analysis center. The Department also plans to fund several evaluations of Title VII training activities in fiscal year 1986.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

BASIC GRANTS

Question: Mrs. Whitten, as your statement indicates, the $9.1 million increase proposed under the basic grant program would support an additional 20,000 students next year and 62 more projects. How many children are presently served under this program?

Answer: We estimate that approximately 206,000 students will be served under Part A in fiscal year 1985. The fiscal year 1984 appropriation served 194,323.

Question: How many projects are currently funded?

Answer: In fiscal year 1984, 611 basic and demonstration projects were funded. In 1985 the total number of Part A projects is estimated at 648.

Question: How have basic grants to school districts helped children with limited English proficiency to progress academically?

Answer: Basic grants are used by school districts to establish bilingual projects for language minority, limited English proficient children designed to prepare these children to enter English language classrooms as soon as possible. Because of the poor overall quality of required local evaluations of these projects, we are unable to determine how successful they have been. Several years ago, the Department funded a major impact study of Title VII projects which found no evidence that children in such projects performed better than similar non-project children. A second impact study, the ongoing "National Longitudinal Evaluation," will assess the effectiveness of such projects. Results from this 5 year study are not expected until 1987.

TEACHER TRAINING

Question: Unfortunately, the increase in grants to school districts appears to be done at the expense of training grants which would be reduced next year by $9.5 million. I thought the need for bilingual teachers was increasing. What evidence do you have to suggest otherwise?

Answer: The 1983-84 "Survey of Teacher Demand and Shortage," conducted by the National Center for Education Statistics, found only 260 shortages or vacancies nationwide for elementary and secondary bilingual education teachers. While this study used a very restrictive definition of "shortage," it clearly signals that there is not a significant unmet demand for new bilingual teachers. A similar survey conducted in 1979 found 320 shortages suggesting that demand may actually have decreased. Methodological differences may, however, account for this decline. Findings from other studies also raise serious questions about the wisdom of continuing to emphasize preservice teacher training. A 1981 study of bilingual teacher training programs (RMC study) found that only 52 percent of teachers completing the program actually secured employment in the field of bilingual education. The "Teacher Language Skills Survey" also identified a significant number of teachers with some training in bilingual education who were not using their skills. Several studies have concluded that recruitment of students is a serious problem for preservice teacher training programs.

Earlier estimates of the need for new bilingual teachers were based on exaggerated estimates of the number of children in need of services, and overly restrictive definitions of "bilingual education teacher" which excluded many teachers with adequate training and reflected the assumption that the only appropriate educational method for such children was transitional bilingual education.

While the Department will continue to fund preservice teacher training programs, we intend to do so at a reduced level. Inservice training, which can be a less costly and more effective way to meet immediate needs for better trained teachers, will continue to be provided through the short-term training institutes and multifunctional centers. Inservice training, which has always been a significant activity within Part A grants to school districts, will likely increase because of the requirements of the new authorizing statute. This new language requires districts to spend the first 6 months of the grant period for preservice activities such as inservice training.

Question: How many teachers will participate in the teacher training program under the proposal?

Answer: In fiscal year 1986, the number of educational personnel trained in Part C will be 4,310 and the number of graduate fellowships granted will be 324. Additional school personnel will be trained under the short-term training institutes and multifunctional centers. Based on data from the "Classroom Instructional Component Study," we estimate that at least an additional 5,300 local instructional personnel will receive some kind of inservice training in fiscal year 1986 using Part A grants.

Questions Submitted by Senator Lawton Chiles

EMERGENCY IMMIGRANT EDUCATION

Question: How does the Administration justify rescission of the 1985 funds Congress appropriated for the Emergency Immigrant Education Program when the immigrants, including refugees, entrants, and even illegal aliens, are permitted to enter the country as a direct result of Federal immigration policy, or the absence of a coherent Federal policy?

Answer: This program constitutes general aid to districts with high concentrations of immigrant children. In fiscal year 1985, funds are available for much the same population under both the Refugee Act and the Refugee Education Assistance Act. Specifically, $16.6 million is available for the Refugee Act and about $5 million for the Refugee Education Assistance Act. In both 1985 and 1986, funds are available to serve immigrant children, insofar as they need services, under the Chapter 1 and Bilingual Education programs. During the 1982-83 school year, 11 percent of the children served in Chapter 1 received services relating to limited English proficiency. The Bilingual Education program currently funds a number of projects which serve recent immigrants. Recent immigrant students who are not educationally disadvantaged or limited English proficient probably have no need for special educational services.

Question: How is Chapter 1 going to pick up the cost when a freeze in this program will result in as many as 200,000 children being dropped from compensatory education services, 7,000 in Florida alone?

Answer: We do not agree that our 1986 request for Chapter 1 LEA grants will result in a decrease in the number of children served. Local school districts alone determine the actual number of children receiving Chapter 1 services and the Federal contribution per child in any given year. The number served will depend upon the needs of the students within a school district and the type of compensatory education services provided.

As part of the Department's initiative to improve program quality, the Secretary recently identified 110 Chapter 1 local district projects as unusually successful. These projects had an average cost of $657 per child and one-third had per child costs of less than $500. The Department is now working to identify the key attributes of these projects and to make this information available to other schools in the form a a resource book. The purpose of this activity is to encourage local school districts to examine their Chapter 1 projects and to seek more cost effective ways of providing services. Because opportunities exist to cut costs without sacrificing services, we believe that the 1986 budget need not result in a reduction in the number of children served.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

SERVICES TO AMERICAN SAMOANS

Question: For some time I have been concerned that American Samoans have not been adequately served under the various programs of the U.S. Department of Education. Last year this Committee directed the U.S. Department of Labor to conduct a comprehensive report on the unique employment and educational needs of American Samoans. Their report has now been submitted to the Committee and I understand that bilingual educational services in particular were noted as being especially important. Accordingly, I would appreciate hearing of your plans to address this important problem during this or the next fiscal year.

Answer: While we are not familiar with the Department of Labor study, a significant amount of funding from the Bilingual Education program has gone to American Samoa. Since 1981, American Samoa has received Title VII basic grants totalling $756,646. A recent study, "Special Services for Language Minority Limited English Proficient Students in the Outlying Territories of the United States," provides information on bilingual services in American Samoa. The primary objective of these special services is the maintenance and development of proficiency in Samoan together with the development of proficiency in English. Limited English proficient students in American Samoa are given instruction primarily in Samoan in grades K-4 along with English as a second language classes. In grades 5-8, both languages are used for instruction. In grades 9-12, the language of instruction is English but there are bilingual personnel present in the classroom and English as a second language is offered as a separate subject.

In addition to Title VII, a total of $3.6 million in fiscal year 1985 Department of Education funds will go to American Samoa. In fiscal year 1986, this total, not counting bilingual education grants, will be $3.1 million.

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Vocational and Adult Education

STATEMENT OF ROBERT M. WORTHINGTON, ASSISTANT SECRETARY FOR VOCATIONAL AND ADULT EDUCATION

ACCOMPANIED BY:

PAUL V. DELKER, DIRECTOR, DIVISION OF ADULT EDUCATION, OFFICE OF THE VOCATIONAL AND ADULT EDUCATION

SALLY H. CHRISTENSEN, DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION

PREPARED STATEMENT

Senator Weicker. We next have our last witness, Robert M. Worthington, the Assistant Secretary for Vocational and Adult Education.

Dr. Worthington, please proceed.

Mr. Worthington. Mr. Chairman, for the record, I would like to enter my entire statement, which also includes some attachments.

Senator Weicker. It will be included in the record.

[The statement follows:]

Statement of Robert M. Worthington

It is a pleasure to be here today to discuss the fiscal year 1986 budget request for vocational and adult education. These programs, which help support State, local, and private efforts to prepare a skilled and literate work force, can positively influence our country's economic growth and industrial competitiveness.

The President's 1986 budget request includes $738.5 million for vocational education and $100 million for adult education. As our first chart shows, these are the same amounts as appropriated for fiscal year 1985. Our total fiscal year 1986 request of $838.5 million is thus frozen at the prior year's level in order to help control the Federal deficit while providing an adequate level of Federal resources for the vocational and adult education programs.

Vocational Education

For fiscal year 1986, $738.5 million would be expended under the recently enacted Carl D. Perkins Vocational Education Act. This legislation targets 57 percent of each State's Basic Grant funds on six special populations:

- handicapped persons;
- disadvantaged persons;
- adults who need training and retraining;
- single parents and homemakers;
- participants in programs to eliminate sex bias and stereotyping; and
- institutionalized criminal offenders.

Our second chart details how the States would use the 1986 Basic Grant request, which, including the Smith-Hughes permanent appropriation, is $723.1 million. The chart contrasts the distribution of funds for the six mandated target groups under the fiscal year 1986 budget request with the distribution under the fiscal year 1985 appropriation. The comparable 1985 figure for Basic Grants, again including Smith-Hughes, is $691.5 million.

Under the new legislation, the 43 percent of Basic Grant funds not used for these six groups is available to States for improvement, innovation, and expansion, but not for maintenance of existing vocational programs. Another change brought about by the Perkins Act would generally allow States to use only seven percent of their Basic Grant funds for State administrative costs. We expect that these changes will encourage the States to allocate a greater percentage of their Basic Grant allowances for actual vocational education services, rather than for administrative overhead.

While the total we have requested for vocational education would be frozen at the 1985 level, we have proposed one major shift in funding. Under our proposal, $31.6 million, which was appropriated for Consumer and Homemaker Education in fiscal year 1985, would be appropriated under Basic Grants in 1986. This transfer will permit State and local administrators, under the more flexible Basic Grant mechanism, to allocate funds according to locally determined program needs and priorities which may include, if they so determine, Consumer and Homemaker programs as well as other types of vocational education activities. This transfer, as you see by our second chart, also accounts for the increased support for the target groups, for program improvement, for State administration, and for the Indian and Hawaiian Native set-aside program.

Under State vocational education programs, we are also requesting $7 million, the same as the 1985 level, for State Councils. Funds for the Councils will be allocated according to the provisions of the Perkins Act.

In addition to the State vocational education programs, we are requesting $8.3 million for national programs in research and data systems. Of this amount, $6.3 million would be available to support the special research projects called for under Section 402 of the Perkins Act and to continue support for the Curriculum Coordination Centers. The research projects will address a wide range of topics, including sex bias and stereotyping, model vocational programs in correctional facilities, and vocational teacher shortages and surpluses. Also, this $6.3 million vocational research budget includes approximately $1.2 million to fund the first year of the mandated National Institute of Education assessment of vocational education. The remaining $2 million in National Programs funds would provide for continued support of the National and State Occupational Information Coordinating Committees.

Adult Education

For adult education programs in fiscal year 1986, we are also requesting that funding be held at the 1985 appropriation level. This would provide $100 million in Federal support, to be expended under the recently reauthorized Adult Education Act.

Amendments to the Act include authority to support adult education services provided by private, for-profit organizations and the extension of eligibility to persons who are below age 16 but above their State's compulsory school attendance age.

We estimate that even with Federal aid to adult education frozen at the 1985 level of $100 million, the budget will provide services to at least as many persons as in recent years. Our estimate of 2.5 million to be served in 1986 is based on data collected by the National Association of State Directors of Adult Education. These data indicate that the number of adults participating in the program has increased steadily in recent years in spite of relatively stable Federal appropriations. We attribute some of the increase to gradually rising levels of non-Federal support for adult basic education, now reported by the States to be 56 percent of all program expenditures. Additional private sector and volunteer support for adult literacy programs, as a result of the President's Adult Literacy Initiative, may also lead to increases in numbers of individuals served, without an increase in the Federal appropriation.

At this time my colleagues and I would be happy to answer your questions about our vocational and adult education budget.

DEPARTMENT OF EDUCATION

1986 BUDGET
VOCATIONAL AND ADULT EDUCATION APPROPRIATION

(MILLIONS OF DOLLARS)

	1985 REVISED	1986 REQUEST
VOCATIONAL EDUCATION (CDPVEA)		
STATE PROGRAMS:		
BASIC GRANTS	$684.5	$716.1
CONSUMER & HOMEMAKING EDUCATION	31.6	—
STATE COUNCILS	7.0	7.0
NATIONAL PROGRAMS:		
RESEARCH	5.9	6.2
DATA SYSTEMS	2.2	2.0
PERMANENT APPROPRIATION	7.1	7.1
SUBTOTAL *	738.5	738.5
ADULT EDUCATION GRANTS TO STATES (AEA)	100.0	100.0
TOTAL	$838.5	$838.5

* DOES NOT ADD DUE TO ROUNDING.

CHART 1

CARL D. PERKINS VOCATIONAL EDUCATION ACT
DISTRIBUTION OF BASIC GRANT FUNDS

(THOUSANDS OF DOLLARS)

	1985 REVISED[1]	1986 REQUEST[1]
PART A: VOCATIONAL EDUCATION OPPORTUNITIES:		
HANDICAPPED	$ 63,345	$ 66,243
DISADVANTAGED	139,360	145,735
ADULT TRAINING AND RETRAINING	76,014	79,492
SINGLE PARENTS AND HOMEMAKERS	53,844	56,307
SEX EQUITY	22,171	23,185
CORRECTIONAL INSTITUTIONS	6,335	6,624
SUBTOTAL	(361,069)	(377,586)
PART B: IMPROVEMENT, INNOVATION, AND EXPANSION:	272,386	284,846
STATE ADMINISTRATION[2]	47,679	49,860
INDIANS/NATIVE HAWAIIAN PROGRAM	10,375	10,849
TOTAL[3]	$691,508	$723,141

[1] AMOUNTS INCLUDE $7 MILLION FROM THE SMITH-HUGHES ACT PERMANENT APPROPRIATION.

[2] ESTIMATES ASSUME THAT STATES WILL USE 7% FOR STATE ADMINISTRATION.

[3] TOTALS DO NOT ADD DUE TO ROUNDING.

CHART 2

Biography of Robert M. Worthington

POSITION : Assistant Secretary for Vocational and Adult Education

BIRTHPLACE AND DATE : Saskatchewan, Canada, May 31, 1922

EDUCATION : Eastern Kentucky State University, 1948 B.S.
University of Minnesota, 1949 Master of Arts
University of Minnesota, 1958 Doctor of Philosophy

EXPERIENCE

PRESENT : Assistant Secretary for Vocational and Adult Education

1979-1981 : Associate Commissioner of Higher Education, Utah State Board of Regents
Director of Technical and Community Colleges, Vocational Education, Capital Facilities and Campus Planning

1974-1979 : Chairman and Senior Research Associate, Career Development Associates, Inc., Princeton, New Jersey

1973-1974 : Visiting Professor of Education, Rutgers University, Graduate School of Education

1971-1973 : Associate U.S. Commissioner of Education
Director, Bureau of Adult, Vocational and Technical Education, U.S. Department of Health, Education and Welfare

1965-1971 : Assistant Commissioner of Education
Director, Division of Vocational Education, New Jersey State Department of Education

1958-1965 : Professor and Chairman, Department of Industrial Education and Trenton State College, Trenton, New Jersey

1956-1958 : Industrial Education Supervisor, Minnesota State Department of Education

1954-1956 : Instructor, Industrial Education, University of Minnesota

1953-1954 : Teaching Assistant, University of Minnesota

1952-1953 : Instructor, Manufacturing Processes, School of Engineering, Purdue University

1949-1952 : Teacher and Athletic Coach, Johnson High School, St. Paul Minnesota

ASSOCIATION MEMBERSHIP : American Vocational Association
American Education Research Association
American Association of School Administrators
American Industrial Arts Association
Epsilon Pi Tau
Phi Delta Kappa
Iota Lambda Sigma
Mu Iota Epsilon
Alpha Psi Omega

PUBLICATIONS: Author, Careers, an Overview (Prentice-Hall), 1976
Senior Author, General Power Mechanics, (McGraw-Hill), Second Edition, 1976

Co-Author, Protecting the Vision of Children, (Charles G. Thomas), 1969

150 Articles and papers published by journals, learned societies, government agencies

Vocational and Adult Eduation

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Vocational education consolidation..................	---	$738,475	---	---	---
2. Vocational education:					
(a) State programs:					
(1) Basic grants...........	$572,412	---	$572,402	$691,508	$723,141
(2) Consumer and homemaker-education..............	31,633	---	31,633	31,633	---
(3) State councils..........	7,000	---	7,000	7,000	7,000
(b) National programs:					
(1) Research...............	6,293	---	6,292	6,078	6,321
(2) Demonstrations..........	570	---	---	---	---
(3) Data systems...........	2,243	---	2,243	2,243	2,000
(c) Expired programs:					
(1) Program improvement and supportive services....	100,951	---	100,948	---	---
(2) Special programs for the disadvantaged......	14,356	---	14,356	---	---
(3) State planning grants..	3,588	---	3,588	---	---
Subtotal.............	739,045	738,475	738,462	738,462	738,462

Vocational and Adult Eduation

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
3. Adult education grants to States........................	100,000	100,000	100,000	100,000	100,000
Total............	839,045	838,475	838,462	838,462	838,462
(Obligations)....	(954,320)	(838,475)	(896,292)	(896,292)	(838,462)

NOTES

Revised levels for vocational education activities reflect adjustments made to implement the Carl D. Perkins Vocational Education Act in fiscal year 1985.

Amounts for Basic grants, Research, and Program improvement and supportive services include funds from the permanent (Smith-Hughes) appropriation.

Revised 1985 amount for Research is different from the original amount because, consistent with the terms of the Perkins Act, only 2 percent (rather than 5 percent) of the permanent appropriation is allocated to the Research activity.

Amount for Demonstrations reflects transfer of funds from the Department of the Interior, Bureau of Mines for a model displaced worker retraining program in Johnstown, Pennsylvania area.

SUMMARY OF BUDGET REQUEST

Mr. WORTHINGTON. Let me just quickly summarize them for you.

The President's 1986 budget request for vocational and adult education includes $738.5 million for vocational education, and $100 million for adult education. These are the same amounts as appropriated for fiscal year 1985. Our total fiscal year 1986 request of $838.5 million is thus frozen at the prior year's level.

VOCATIONAL EDUCATION REQUEST

Taking vocational education first, for fiscal year 1986, $738.5 million will be expended under the recently enacted Carl D. Perkins Vocational Education Act. This legislation targets 57 percent of each State's basic grant on six special populations.

Under the new legislation, the 43 percent of basic grants not used for these six groups is available for State program improvement, innovation, and expansion, but not for maintenance of existing vocational programs, and I want to point this out very clearly.

Although the total that we have requested for vocational education would be frozen at the 1985 level, we have proposed one major shift in funding. Under our proposal, $31.6 million, which was appropriated for consumer and homemaker education in fiscal year 1985, would be appropriated under the basic grants in 1986.

We are requesting $8.3 million for national programs in research and data systems. Of this amount, $6.3 million would be available to support the special research projects called for under the Perkins Act, and to continue support of the curriculum coordination centers.

The research projects will address a wide range of topics. The research budget also includes approximately $1.2 million to fund the first year of the mandated National Institute of Education assessment of vocational education. The remaining $2 million in the national programs funds would provide for continued support of the national and State occupational information coordinating committees.

ADULT EDUCATION REQUEST

Now quickly to adult education. For adult education programs in fiscal year 1986, we are also requesting that funding be held at the 1985 appropriation level. This would provide $100 million in Federal support to be expended under the recently reauthorized Adult Education Act.

There have been amendments to the act to include authority to support adult education programs by private for-profit organizations and the extension of eligibility to persons who are below age 16 but above their State's compulsory school attendance age.

We estimate that even with Federal aid to adult education frozen at the 1985 level of $100 million, the budget will provide services to at least as many persons as in recent years. Our estimate of 2.5 million persons to be served in 1986 is based on data collected by the National Association of State Directors of Adult Education. We attribute some of the increase in service to gradually rising levels of non-Federal support for adult basic education. You will recall that this act has always required a 10-percent match. However, it is now reported by the States that 56 percent of all program expenditures are Federal and 44 percent are State and local.

REQUEST FOR BILINGUAL VOCATIONAL TRAINING

Finally, the President's budget includes a request of $3.7 million for bilingual vocational training, the same as the amount appropriated last year. This program provides bilingual vocational education and occupation-related English language instruction to out-of-school youths and adults of limited English proficiency.

This money is currently appropriated under the bilingual education accounts, but administrative responsibility for the program has recently been transferred to the Office of Vocational and Adult Education.

As time will allow, I will be happy to answer your questions, Mr. Chairman.

MAINTAINING LEVEL FUNDING

Senator WEICKER. Your justification in explaining the rationale for the budget proposal for 1986 at the freeze level indicates that one, this will help to control the Federal deficit and two, that this level is consistent with recent appropriations history in maintaining these programs at a constant level.

I want to set the record straight. The only reason that this program has been maintained at a constant level over the last 2 years was the fact that we were constrained by your authorization ceiling from adding another penny over $735 million in the case of vocational education, and $100 million in the case of adult education.

In any event, what is even more distressing is that your proposal, stretching clear to 1990, would hold both vocational education and adult education at today's level of $835 million. Your own figures show that simply in order to maintain current services for next year, these programs would need $43 million more.

In view of the unemployment problems, and the illiteracy problems, can you explain why you are taking this approach?

Mr. WORTHINGTON. Concerning the illiteracy problem, I have indicated that we have had considerable input in the last year and a half. In the President's adult literacy initiative, we have involved a lot of people from various organizations that provide volunteers for literacy training. We think that is going to help considerably.

We see a lot more involvement of the private sector in adult literacy training. Such organizations as McGraw-Hill, and several others, have contributed funds and time to this, and we think that will help.

In the field of vocational education, we found, in our most recent analysis, that about $10.50 of local and State money is provided for every $1 of Federal money. This program is, in reality, a State and local program, with a small amount of Federal money providing some catalytic action, some research and development, and dissemination of information on programs that work.

Senator WEICKER. Senator Andrews.

CONSUMER AND HOMEMAKER EDUCATION

Senator ANDREWS. Thank you, Mr. Chairman.

In your fiscal year 1986 justification, you address the fact that the Department no longer views consumer and homemaking education as a Federal priority. Has the Department ever viewed it from that perspective?

Mr. WORTHINGTON. I think the Department has considered consumer and homemaker education to be an important program, and Congress has also.

Senator ANDREWS. Now you are downgrading it.

Mr. WORTHINGTON. Not at all.

Senator ANDREWS. You said that they no longer view it as a Federal priority, and you just said a minute ago that it used to be a priority.

Mr. WORTHINGTON. I think the language that we sent up earlier perhaps might have been a little stronger than what we have found out recently. We have found out that the State and local governments provide $16.60 for consumer and homemaker education for every $1 the Federal Government spends. It is one of the strongest and most strongly supported programs we have in vocational education. Its enrollment has held nearly level despite the fact that since 1979 we have had a 2 million decrease in the number of high school students. Consumer and homemaking education has remained level as a percentage of the total because it is a strongly supported local and State program.

We felt that the States would have much more flexibility if we permitted them in the 1986 budget to expend consumer and homemaker funds under the basic grant. We felt that it would give them a decision-making authority that they have not had in the past. We do not think that it will hurt consumer and homemaking, and we still do think that this is a very, very important program.

DATA ON CONSUMER AND HOMEMAKER EDUCATION

Senator ANDREWS. According to both a State study and a national study, there is a substantial amount of support for vocational education by the general public. With respect to consumer and homemaker education, you yourself admit in your statement that there is insufficient data regarding the program's effectiveness.

In addition, what statistical evidence is available that consumer and homemaker is indeed a worthwhile curriculum and that students derive benefits from this type of instruction. Why don't we have that data available?

Mr. WORTHINGTON. For one thing, the data collection system is part of the National Center for Education Statistics as mandated by Congress. They have been attempting to revise that system and we are working very closely with them.

We hope that in the very near future, valid and reliable data will be available. The data that we used for our submission to you are based on the last full year that the National Center for Education Statistics had data, and that was 1981–82. We apologize for that, and we hope that it will be corrected.

Senator ANDREWS. But if Congress acquiesces to the Department to make the shift to basic grants, won't this be construed by the States that consumer and homemaker education is of secondary importance and, therefore, need not be funded?

Mr. WORTHINGTON. I don't think so. I have talked with quite a few leaders in home economics. I just talked with two distinguished deans yesterday, and I asked for their opinions. They feel that consumer and homemaking is an established, strongly supported program that will survive. They feel that this budget approach that we are hoping to take for 1986 will really give us a test of the strength of consumer and homemaking. We don't think that consumer and homemaking is going to fade away from the system. We think, if anything, it will continue.

BASIC GRANT SUPPORT FOR CONSUMER HOMEMAKER PROGRAMS

Senator ANDREWS. In North Dakota, 33 schools include consumer and homemaker education in their curriculum, and out of that number, 8 have it as their sole vocational education program, either because it is all the school can afford, or because the enrollment is too small.

What kind of assurances can you provide that under basic grants, the money is going to be continued to be made available?

Mr. WORTHINGTON. That would be left up to the States, but we do know that the consumer and homemaking people are very strong. We know that each State has a full-time supervisory staff in consumer and homemaking. We have a very active Future Homemakers Association, a student organization. We know that they will get their share of those dollars.

ENROLLMENT IN CONSUMER AND HOMEMAKER PROGRAMS

Senator ANDREWS. But you said a moment ago that enrollment in consumer and homemaker has stayed stable.

Mr. WORTHINGTON. It is stable as a percentage of the total secondary enrollment, but the numbers have dropped. That is due, we think, to the total enrollment of high schools having dropped.

Senator ANDREWS. In other words, the enrollments in schools have declined, so the interest in consumer and homemaker has stayed stable.

Mr. WORTHINGTON. It has remained stable, that is correct.

CONSTRUCTION OF ADULT TRAINING FACILITIES

Senator ANDREWS. I have a couple of short questions.

Is there any money available within the vocational education budgetary allowances for the construction of adult training facilities?

Mr. WORTHINGTON. For vocational education, the States, under present law, may use some of the money for construction.

Senator ANDREWS. But do you have any specific program for construction of adult training facilities?

Mr. WORTHINGTON. No; we don't.

Senator ANDREWS. Do you foresee a need for this type of funding?

Mr. WORTHINGTON. I have no evidence to support a need for additional facilities at this time. We did construct, under the area vocational school provisions of the 1963 act, a very large network of area vocational-technical schools, more than 1,700 as a matter of fact.

We think that the physical facilities are adequate, but there is a need, of course, to upgrade the equipment, and the Congress has provided for that to the States through the Carl D. Perkins Act.

Senator ANDREWS. Could the Perkins Act be used in an area where there was a specific need for this kind of facility?

Mr. WORTHINGTON. It could if the States so chose to do that and included that in their State plan documents.

Senator ANDREWS Would it be done as a specific line item so that it didn't short from the annual training needs?

Mr. WORTHINGTON. I don't think so. It would have to come from the State grant program. You have to keep in mind that Congress has mandated that the States expend 57 percent of their allocation for special populations and 43 percent for program improvement. The States would have to include that under program improvement, unless it was for the handicapped or the disadvantaged. It would be up to the States and they would have to include that in their State plans that they submit to the Secretary.

Senator ANDREWS. Unless it were for the handicapped or the disadvantaged where it would come under a special program.

Mr. WORTHINGTON. We have to keep in mind that Congress also has changed the way in which the States may use the money for the handicapped and the disadvantaged. The States previously used the money on a 100-percent Federal basis for some of the handicapped, and also for some of the disadvantaged. Under the present law, the money will be used, by congressional mandate, for excess costs over and above the regular costs, and this must be matched. Some States have indicated that this might cause them a problem. They may have to drop some of their programs because of the matching.

Senator ANDREWS. Thank you, Mr. Chairman.

Senator WEICKER. Thank you very much, Senator.

Thank you very much, Mr. Worthington.

Mr. WORTHINGTON. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. We will have some additional questions from other Senators as well as committee questions for your response.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MAINTAINING CURRENT SERVICES FOR ADULT EDUCATION

Question: We have received reports of incredible numbers of persons in this country today who are considered to be functionally illiterate. One out of three was the estimate of Jonathan Kozol, who just recently completed a study. Participants in adult education tend to be among the most seriously disadvantaged people in the Nation. High school dropout rates are increasing. The problem, in short, is of staggering proportions.

You have reported to us that the number of adults participating in adult education programs continues to increase. You have reported to us that there has been a major rise in recent years in State and local funding for this program to the extent that these sources now contribute 56 percent of program revenues. Then you advise that "it is reasonable to conclude that a freeze in the Federal appropriation will not result in a decline in participation." What would be the amount required in order to maintain current services for this program?

Answer: The cost of maintaining current services for the Adult Education Act would be $104.6 million, $4.6 million above the level requested for 1986.

Question: How many more people would be served?

Answer: There is no evidence that a $4.6 million increase in Federal funding would necessarily result in more participants. In 1982-83, the most recent year for which data are available, about 2.6 million persons received services under the Adult Education Act. Based on data collected by the National Association of State Directors of Adult Education, we estimate that the number of participants for the next three years, including the 1986-87 year which will be supported by fiscal year 1986 funds, will continue to be about 2.6 million.

Question: Don't you think that a massive effort is required here?

Answer: The Federal appropriation for Adult Education has remained relatively stable in recent years while support from non-Federal sources has grown. This program has been very successful in helping States and localities develop their own capacities for meeting the needs of educationally disadvantaged adults. Over the past 20 years, State and local support has grown from the required 10 percent match to more than half. In addition, through the National Adult Literacy Initiative, the Federal Government is taking an even stronger leadership role in helping to mobilize additional support for adult literacy programs from volunteers and the private sector.

ADULT EDUCATION ALLOCATION FORMULA

Question: The allocation formula which you have chosen to adopt for the Adult Education Grants to States program, as amended by the new law, requires that no State shall receive an allotment after September 30, 1984, that is less than the State received for fiscal year 1984. Why would you then use 1983 grants to comply with this "hold-harmless" provision in the fiscal year 1985 State allocation formula?

Answer: Section 305 of the amended Adult Education Act provides that "No State shall be allotted in any fiscal year beginning after September 30, 1984, an amount less than that State received for fiscal year 1984." (Emphasis added.) The Department interprets the underlined portion of this provision to mean the amount the State received for the programs it operated during fiscal year 1984. Since this is a forward funded program, those programs were supported by funds provided from the fiscal year 1983 appropriation.

Question: By using grants from the fiscal year 1983 rather than the fiscal year 1984 appropriation as the basis of the "hold-harmless" provision, couldn't some States wind up with smaller grants than required by the new law?

Answer: The Department believes that the planned fiscal year 1985 allotments for Adult Education are based on the requirements of the new law. While it is true that 22 States and Territories will receive less than they did from the 1984 appropriation, no State will receive less than the amount it had for the programs it operated during fiscal year 1984.

Question: Do you have any idea how many might come up short and what amount may be required in a supplemental to make up the difference?

Answer: No supplemental appropriation is necessary. To ensure that all States and Territories receive no less than they received from the 1984 appropriation, the Congress may wish to amend the authorizing statute to designate grants made from the fiscal year 1984 appropriation as the hold harmless levels.

ADULT EDUCATION ACT AMENDMENTS

Question: What is the status of implementing the changes made to the Adult Education Grants to States program under the Education Amendments of 1984?

Answer: Changes to the Adult Education Act will be implemented by the States beginning with their fiscal year 1985 grants. These grants will generally support programs that take place in the 1985-86 year. New three-year State plans are due to the Department July 1, 1985.

Question: When will the regulations be revised?

Answer: Proposed regulations to implement the Adult Education Act, as amended and extended by Title I of the Education Amendments of 1984, were published in the Federal Register February 28, 1985. A 60-day period to receive comments from the public ended April 29. Final regulations will be published in the summer and will take effect either 45 days after publication or later if the Congress takes certain adjournments.

ADULT ILLITERACY

Question: What new efforts will the Department of Education make to use this program to reduce adult illiteracy rates?

Answer: The Adult Education Act serves as a catalyst for expanding State and local capability to provide services to educationally disadvantaged adults. The 1978 amendments to the Act took a step toward making adult education more accessible and inviting to these adults. The requirements to expand the program by using public and private agencies and organizations as well as public school systems has and will continue to increase State and local support for adult literacy programs.

Disadvantaged persons in need of basic education and occupational skills training are being served through joint funding, cross referrals, and joint operation of vocational education, adult education, and Job Training Partnership Act (JTPA) programs. Last year, $10.2 million from JTPA funding was used at the local level to provide basic skills for occupational preparation and support services for disadvantaged youth and adults.

Finally, the Department will continue to promote the increased use of volunteers and the private sector in programs serving adults in need of basic literacy skills.

Question: Are there any initiatives the Department of Education can make under this program to provide services more efficiently to adults?

Answer: The National Adult Literacy Project, funded by the National Institute of Education, has identified effective programs and practices throughout the Nation. These have been summarized and will be published by one of the major publishers in the adult education field.

In addition, the Department of Education continually provides assistance to States in identifying and submitting exemplary programs for review by the Joint Dissemination Review Panel. Adult education currently has seven projects eligible for the National Diffusion Network. An additional 15 nationally validated projects in the National Diffusion Network are suitable for a variety of adult populations.

TRACKING ADULT EDUCATION PARTICIPANTS

Question: The Justifications indicate that little effort is made to track those who have participated in the Adult Education Grants to States program. What action is the Department of Education taking to improve efforts in this area? Without at least a minimum amount of tracking, how can any information regarding program effectiveness be obtained?

Answer: The Department is implementing the new requirements for States to report demographic and statistical information about adult education students, programs, expenditures, and goals. New data collection procedures have been developed and will be used to report on adult education participants in the coming year.

Some States have attempted to compare the costs and benefits of their adult education programs, but without adequate benefit measures or the use of control groups. In order to assess the feasibility of using cost benefit analysis in a national evaluation of adult education, the Department has contracted with Pelavin Associates to develop a comprehensive cost-benefit model.

The most comprehensive study of adult education program participants, by Development Associates (1980), found that nearly 80 percent of those enrolled achieved the goals they themselves had established prior to entering the program.

ADULT EDUCATION NATIONAL PROGRAMS

Question: As amended by the Education Amendments of 1984, national adult education projects are authorized once the total appropriation reaches $112 million for the Grants to States program. How high a priority would you place on funding for these national projects? To what use would you put such funds?

Answer: The Department believes that the $100 million requested for the State-operated adult education program is a sufficient Federal investment in this area. When the need arises, the Department already has sufficient discretionary funds at its disposal. In addition, the National Adult Literacy Initiative is a good example of a Federal leadership program that can be effective without the use of additional funds.

NATIONAL ADULT LITERACY INITIATIVE

Question: What has been the effect thus far of the National Adult Literacy Initiative?

Answer: The major activities and accomplishments of the National Adult Literacy Initiative include the following:

- o Cooperating with the Coalition for Literacy and the Advertising Council in mounting a National Literacy Awareness Campaign. To date, the campaign has begun in 80 percent of the targeted cities.
- o Persuading State and local officials, including Governors, State legislators, Chief State School Officers, and mayors, to give greater attention to literacy. Twenty-one States now have significant literacy activities and 24 States are planning to increase activities.
- o Through the Federal Interagency Committee on Education, overseeing the Federal Employee Literacy Training (FELT) program, which recruits Federal employees as volunteer literacy tutors. To date, 57 Federal Executive departments and agencies across the country have become involved in FELT and are actively seeking volunteers.
- o Focusing attention on special literacy needs through meetings, conferences, and other forms of communication. Examples are: conducting a seminar series on the literacy concerns of minority language groups; working with the

Assault on Illiteracy Project (AOIP), an affiliation of more than 80 major Black organizations, to mobilize the Black community at the grass roots level on behalf of adult literacy; and establishing a national network among groups working with disabled populations and adult education providers.

- In conjunction with the Office of Postsecondary Education, promoting the involvement of postsecondary institutions in literacy activities through communication with college presidents and postsecondary groups. A major effort is the use of college work-study students in local literacy programs. To date, more than 50 schools have received small supplemental grants to conduct literacy work-study projects.

- Working with special programs for children, such as Head Start and Chapter 1, to create pilot literacy projects for parents of participating children. Sixteen Head Start centers are currently receiving small supplements to conduct literacy activities for parents.

- Working with major volunteer and civic organizations, such as the American Legion, the General Federation of Women's Clubs, Volunteers of America, and the National Council on the Aging. All of these groups have chosen literacy as a major focus for their memberships.

- Stimulating private sector and union support for literacy and cooperating with strong corporate supporters such as the Business Council for Effective Literacy and B. Dalton Bookseller.

- Promoting new research efforts through mechanisms such as the National Assessment of Educational Progress' Young Adult Study; the NIE-contracted National Adult Literacy Project, which is assessing and disseminating information on promising literacy practices and programs; and a recently-held Research Translation Conference.

- Promoting widespread awareness of the problem through television and radio interviews, including all major networks; publication of articles in newspapers and national magazines (i.e., Nation's Business, Business Week, and The New York Times); and speaking engagements at conferences and meetings.

- Encouraging partnerships for the development of new literacy technology, such as computer software and videodiscs, through meetings with computer companies and a recent Literacy Technology Conference. A major foundation is considering funding a computerized software program for literacy training.

VOCATIONAL EDUCATION DATA SYSTEM (VEDS)

Question: We know there were many things you did not like about the previous system of collecting information on the persons being served by the Vocational Education program, leading to your suspension of the collection of data early in 1983. However, because the new law mandates the operation of a vocational education data system, the Department must develop a system to take the place of the previous one. Can we get you on record with an estimate as to when you will have a system developed to take the place of the old one and when we might hope to see some data relative to the operations of the Basic Grants program?

Answer: The new data system will be operated by the Department's National Center for Education Statistics (NCES). Now in final stages of field review and development, the new system will be phased in over a period of several years after consultation with Congress on the design. It is possible that there may be some national data by mid-1987.

Until the new system is fully operational, NCES will continue to collect and disseminate limited data on various facets of vocational education, based on related on-going programs of statistical surveys. For example:

- The Office of Vocational and Adult Education will continue to collect financial data for 1983-84 and 1984-85 in substantially the same format used for the previous VEDS. New forms will be introduced for 1985-86. Data on the operation of the Basic Grant program are expected to be a part of these surveys.

- Completer data for occupationally specific programs at accredited higher education institutions will continue to be collected by the Higher Education General Information Survey (HEGIS) of Earned Degrees through 1985-86. For 1986-87, it is expected that completer information for all postsecondary institutions offering occupationally specific programs will be collected through the new Integrated Postsecondary Education Data System (IPEDS).

- Data from the Office for Civil Rights vocational education survey will be analyzed to provide summaries of: enrollments in occupational preparation programs by racial/ethnic categories and for limited English proficient and handicapped groups; total enrollments by handicapping conditions; and vocational education staff for occupational programs by racial/ethnic category.

- VEDS 1982-83 data on enrollment, completions, and finance and VEDS 1983-84 finance data are currently being tabulated.

- The NCES longitudinal studies program has collected -- and will continue to collect -- a substantial variety of data on national samples of young people in the high school classes of 1972, 1980, and 1982. In 1985, NCES will develop a tabulation including, for example, a description of the kinds and numbers of vocational education courses taken and an analysis of access and equity for several special populations.

CONSUMER AND HOMEMAKER EDUCATION

Question: The Department proposes to terminate funding for consumer and homemaker education and shift the $31.6 million appropriated for this program into the basic grants. We understand also that schools have been criticized for permitting students to take many "personal service courses, such as training for adulthood and marriage." Haven't we been successful in getting more men into these programs?

Answer: The 1976 amendments to the Vocational Education Act provided encouragement for the participation of both males and females. Male enrollment did increase from 6 percent in 1971-72 to 24 percent in 1981-82. However, most of that progress was achieved prior to the implementation of the 1976 amendments, perhaps as a result of the passage of Title IX of the Elementary and Secondary Education Act. The National Center for Education Statistics, in its High School and Beyond Study, has data on the extent to which students who graduated in 1982 earned high school credits in consumer and homemaking courses. Using Carnegie units to express credits (one unit equals a full year course) NCES reports that among vocational education students, males earned 0.3 credits, or less than one semester, while females earned 1.2, more than two semesters.

Question: Does consumer and homemaker education not fit in with the excellence movement?

Answer: "A Nation at Risk," the report of the National Commission on Excellence in Education, criticized the schools for permitting students to take many "personal service and development courses, such as training for adulthood and marriage," and recommended instead an enriched curriculum in English, mathematics, science, social studies, computer science, and foreign languages. Since the publication of this report in 1983, States and local school districts across the country have taken steps to increase enrollment in these "new basics" and to increase the number of credits required in these subjects for high school graduation. The Department supports this movement for excellence.

VOCATIONAL EDUCATION STATE COUNCILS IN THE TERRITORIES

Question: One matter of concern which has been brought to our attention by some of our colleagues on the House side who represent certain of the Territories is that of funding for the State councils under the new vocational education law.

As you know, we have always -- as far as memory serves -- included language in our bill which would ensure that Puerto Rico, the Virgin Islands, American Samoa, Guam, the Trust Territory of the Pacific Islands, and the Northern Mariana Islands would continue to receive at least the amount they received in the previous year for State councils.

Now we understand that the new law terminates these grants to the Territories. Will the Territories receive funding as mandated in the appropriations law for fiscal year 1985? What would be the impact of this termination on the Territories?

Answer: Although the 1985 appropriation act was passed when the old Vocational Education Act was still in effect, the Perkins Act became effective for fiscal year 1985. In reallocating the funds under the terms of the new Act, the Department tried carefully to reconcile Congressional intent as expressed in the appropriation act with Congressional intent as expressed in the Perkins Act. The resulting decisions on how to allocate the fiscal year 1985 funds were shared with the Congress in letters to Senators Weicker, Proxmire, Hatfield, Stennis, Hatch, Kennedy, Stafford, and Pell on December 10, 1984. Identical letters were sent to appropriate members of the House.

Under the Perkins Act, the five Territories are no longer required to operate State Councils and are not authorized to receive Federal funding for them. The 1985 funds originally intended for the Territories will be distributed among those States whose 1985 allocations for this purpose are below the new $120,000 minimum.

VOCATIONAL EDUCATION NATIONAL PROGRAMS

Question: The Congress has just enacted, and President Reagan signed into law, a new vocational program which authorizes a series of National Programs. How do you justify your selection of only a few of these for funding under your budget request? On what grounds do you consider the remaining programs to have a lower Federal priority?

Answer: Within the freeze level proposed for vocational education, the Department's budget request targets more than $8 million on those national programs believed to be most needed and most consistent with an appropriate Federal role. These include a variety of research and data collection activities as well as the first year of the Congressionally mandated national evaluation of vocational education programs carried out under the Perkins Act.

Question: To what degree does the authority for National Programs under the new vocational education law permit the Department of Education to provide more coordination and leadership to the Nation's vocational education system?

Answer: The National Programs portion of the Perkins Act continues programs such as the National and State Occupational Information Coordinating Committees and the National Center for Research in Vocational Education that promote national coordination of vocational education information. The authority to conduct research, and establish a new vocational education data system, together with the mandated national assessment, provides further opportunities for Federal leadership and coordination of information.

Question: What changes do you plan for the administration of the new programs?

Answer: The Department has requested no funds for the new National programs.

Question: To what degree do these programs represent separate grants to separate institutions which determine to a significant extent their own policy agendas?

Answer: The Perkins Act requires that the award for the National Center for Research in Education be made in the form of a grant rather than a contract as was the case under the previous law. This change will give the Center more flexibility to determine its own priorities since it will no longer be responding to Departmental priorities established in a formal Request for Proposals used to solicit proposals for contracts.

NATIONAL OCCUPATIONAL INFORMATION COORDINATING COMMITTEE

Question: What other sources of funding are available to the National Occupational Information Coordinating Committee, which is funded in part under National Programs? What funding amount is currently provided to the Committee through the Department of Labor?

Answer: Current funding for the National Occupational Information Coordinating Committee includes $2.2 million from the Department of Education, $3 million from the Department of Labor, and $640,000 from the Department of Defense.

Question: Would States, localities, and private sources provide the entire funding if Federal funds were to be terminated altogether?

Answer: In addition to awarding special grants to selected States, the National Committee contributed $4.4 million of its fiscal year 1984 funds to provide basic assistance to the State Occupational Information Coordinating Committees. For the most part, these funds represent the total budgets for the State Committees. The Department has not surveyed the States to see if they would be willing to support their State Committees if Federal funds were to be withdrawn.

NATIONAL COUNCIL ON VOCATIONAL EDUCATION

Question: What is the status of the National Council on Vocational Education, authorized under National Programs? If members have not been appointed yet, when do you plan to do so? How soon will this Council be operational?

Answer: The President has made some appointments to the National Council on Vocational Education. We expect that the remaining appointments will be made and the Council will be fully operational within a few months.

CURRICULUM COORDINATION CENTERS

Question: According to your Justification the six Curriculum Coordination Centers, using $785,000 of funds from National Programs, can save the States more than $6 million. Please expand on this.

Answer: The estimate of savings comes from the Centers themselves, not from any Departmental evaluation of the Center's activities. The six centers provide services that help the States in their regions avoid duplication of effort in developing and improving their vocational education curricula. They provide services in three categories: capacity-building (including in-service training workshops and technical assistance visits); information resources (including dissemination of curriculum materials and curriculum searches); and outreach activities (such as contacts and coordination with other vocational education organizations). The Centers estimate that without their coordination, it would have cost the States in their regions an additional $6.3 million to carry out these same activities.

CURRENT FUNDING FOR VOCATIONAL EDUCATION NATIONAL PROGRAMS

Question: Why are you proposing to change the National Programs budget from a forward-funded to a current-funded basis?

Answer: Vocational education funds have traditionally become available July 1 of the year in which they are appropriated. As a result, funds appropriated in one fiscal year are generally used for activities that take place during the following fiscal year. This forward funding practice works very well for Department of Education programs for State and local educational agencies that are tied to the school year, since it gives those agencies ample time to plan.

A Federal discretionary research program, on the other hand, does not need the long lead time that is provided by forward funding. Rather, it needs flexibility to respond in a timely and efficient manner. Current funding would give the Department that flexibility.

Question: Do you need to double your budget for these activities in fiscal year 1986?

Answer: No. This would be a problem only if we were proposing a move in the other direction -- that is, from current to forward funding. Under the proposed change, during the 1985-86 year, the Department will have available to it both the fiscal year 1985 and the fiscal year 1986 appropriations for National Programs.

PERKINS ACT -- INDIAN VOCATIONAL EDUCATION SET-ASIDE

Question: The new law requires a set-aside of 1.25 percent of the Basic State Grant, funded under State Programs, for use in meeting the vocational education needs of Indians (the old law reserved 1.0 percent). How will the additional funds be used? Will there be new types of services and activities, or will students receive more of the same services formerly provided under the old law?

Answer: Since this is a discretionary grant program, the types of activities will depend (within the limits of the statute and regulations) on the projects proposed by the tribes and Indian organizations in their applications. We estimate that the increased percentage set-aside will result in 200 additional students (for a total of 1,300) receiving services.

Question: How do vocational education needs of Indians differ from those of other vocational education students?

Answer: One of the major problems for students in Indian vocational training projects is the lack of job placement opportunity available upon completion of their programs. We have attempted to correct this problem by encouraging tribes to coordinate their training projects with tribal economic development plans. Without growth in the types and number of jobs available in the locations where the Indian students live, successful completion of vocational training is not sufficient for successful job placement.

Indian students, as a generally disadvantaged population, also often require greater ancillary services, such as counseling, basic skills remediation, and assistance to overcome language barriers. The remoteness of the reservations also contributes to certain difficulties which are not found in all vocational education programs, but are common to some rural programs.

PERKINS ACT -- NATIVE HAWAIIAN VOCATIONAL EDUCATION SET-ASIDE

Question: The new vocational education law requires a set-aside of 0.25 percent of the Basic Grant, funded under State Programs, for a new program to meet the vocational education needs of Native Hawaiians. What types of services and activities do you plan to provide with these funds?

Answer: Although the types of services and activities to be provided with these funds ($1.7 million each year from the 1985 and 1986 appropriations) will depend on the applications we receive from eligible organizations, we believe the training will be similar to that now provided under the Basic Grant program by the State of Hawaii.

Question: What is the need for this program, and how many participants do you expect to serve?

Answer: To date we have not had experience with programs targeted specifically to Hawaiian Natives. We expect to learn more about the needs, the number of participants, and the activities through the narrative portions of the applications submitted for the grant competition.

PERKINS ACT -- OBJECTIVES AND PROBLEMS

Question: The intent of the Carl D. Perkins Vocational Education Act is to (a) strengthen programs serving special populations, and (b) focus more Federal funds on program improvement. How well do you think these objectives can be accomplished under the new law? What problems do you foresee?

Answer: In general, we believe that while these objectives can be accomplished under the new law, it would be preferable (and, in our view, just as supportive of these objectives) if the Perkins Act had fewer set-asides and sub-programs. This would eliminate a considerable amount of duplication of activities and would permit each State to target funds to the areas of greatest need in that State.

MATCHING REQUIREMENTS IN PERKINS ACT

Question: Will any of the new programs or requirements under the Carl D. Perkins Vocational Education Act, such as new matching requirements for programs for special populations, cost more to implement? If so, will States and localities be capable of providing the financial resources, or will additional Federal funds be required? If so, how much?

Answer: While changes provided for in the Perkins Act should not increase the overall costs of providing services, they can result in shifting costs for certain programs or aspects of those programs to the States and eligible recipients.

One of the most significant changes in the new law is the requirement to match program improvement funds. The prohibition against using these funds to maintain existing programs and services is also a big change from the previous law and will require adjustments for many States.

Other significant changes in the distribution of special funds to serve handicapped and disadvantaged students will cause changes in the way States use Federal vocational education funds. For example:

- Although the new law makes clear that Federal funds can be used to pay for additional services to handicapped and disadvantaged students in regular vocational education classes, there is a restriction on the use of funds for separate programs for those students. Under this new provision, Federal funds may be used only for those costs that exceed the average per-pupil expenditures for regular services and activities. This means that special schools designed to serve these two target populations may not receive as much Federal money as they have in the past. (Under the previous law, the entire cost of separate programs could be considered "excess costs.")

- The distribution of the set-aside funds for the handicapped and disadvantaged within each State must now be based on the number of target students served by eligible recipients. Previously, States had discretion to take into account other criteria such as financial need and whether the project was new in determining the allocation of these funds. The new requirement may cause major changes in the way States allocate these Federal funds.

PERKINS ACT -- IMPLEMENTATION

Question: What is the status of implementing the Carl D. Perkins Vocational Education Act in the Department of Education?

Answer: The Department is implementing the Perkins Act. Proposed rules were published January 25, 1985. Final regulations will be published in the summer of 1985. All State plans (due to the Department by May 1, 1985) must reflect the new Law. States will begin actual operation of programs under the Perkins Act beginning July 1, 1985.

PERKINS ACT -- FEDERAL STAFFING

Question: What changes, if any, in Federal staffing are expected as a result of the new law?

Answer: We have no plans to modify Federal staffing as a result of the Perkins Act.

PERKINS ACT -- GUIDANCE FOR STATE TRANSITION

Question: What kind of nonregulatory guidance are you providing the States for the transition of their programs to meet the requirements of the new law?

Answer: Department staff have been assisting State officials in their attempts to understand the requirements and objectives of the new law through such vehicles as national conferences, regional workshops, electronic mail, and telephone calls.

In addition, the final regulations will contain two appendices that will provide valuable guidance to the States. One will contain responses to the many comments submitted on the proposed regulations. The other will contain answers to a number of questions the public has raised about implementation of the new law.

PERKINS ACT -- NEW STATE ACTIVITIES

Question: What types of activities do you anticipate States conducting under the new vocational education State programs that they could not have conducted under prior legislation?

Answer: We do not believe any activities will be conducted under the new law that States could not have carried out under the Vocational Education Act. However, more funds will be spent and greater attention given to some activities, because of the requirements of the new law.

The Perkins Act expands from 47 percent to 57 percent the portion of State grant funds that must be set aside to increase vocational education access for groups that traditionally have been underserved. These funds must be used to support programs for single parents or homemakers (8.5 percent), the elimination of sex bias (3.5 percent), criminal offenders (1 percent), the handicapped (10 percent), the disadvantaged (22 percent), and adults in need of training or retraining (12 percent).

PERKINS ACT -- DEADLINE FOR STATE APPLICATIONS

Question: What is the deadline for State applications for funds under the new law?

Answer: State plans are due to the Department May 1, 1985.

PERKINS ACT -- IMPLEMENTATION AT LOCAL LEVEL

Question: When will the new law actually be implemented at the local level?

Answer: States and localities will begin operating under and must be in compliance with the new law by July 1, 1985.

VOCATIONAL EDUCATION CARRY-OVER FUNDS FROM PREVIOUS LAW

Question: How long do local recipients of State Programs funds have to expend funds received under the repealed Vocational Education Act of 1963? What steps, if any, is the Department of Education taking to encourage the use of prior allocations for activities authorized under the new State Programs?

Answer: Under the Tydings amendment, States and localities have 12 months to expend their funds after the last date by which the Federal Government must obligate its appropriation. Funds from the fiscal year 1983 appropriation, first available July 1, 1983, had to be obligated by the Department before September 30, 1984 and may be expended by States and localities until September 30, 1985. Funds from the 1984 appropriation, first available July 1, 1984, may be expended by States and localities until September 30, 1986. However, any funds obligated by States and localities after July 1, 1985 must be spent in accordance with the provisions of the Carl D. Perkins Vocational Education Act. The Department has informed the States of this latter provision.

VOCATIONAL EDUCATION -- FUNDS FOR STATE ADMINISTRATION

Question: You claim under the new law, the 7 percent limitation on the use of funds for State administration for the State's basic grant under State Programs would increase the share of funds for vocational services to students. What portion of Federal funds is currently spent on State administration of vocational education programs?

Answer: For school year 1981-82, the last year for which data are available from the National Center for Education Statistics, $48.5 million, or 7.1 percent of the total of $679.4 million, was spent for State administration. The percent spent for administration, however, varied widely from State to State.

VOCATIONAL EDUCATION -- FUNDS FOR LOCAL ADMINISTRATION

Question: What portion is spent for local administration, where neither the former nor the current program contains any restriction on use of funds for administative purposes?

Answer: According to the National Center for Education Statistics, localities used $7.7 million, or 1.1 percent of the total Federal vocational education funds, for administration in the 1981-82 program year.

CONSUMER AND HOMEMAKER EDUCATION

Question: The Justifications contend that the Consumer and Homemaker Education program, funded under State Programs, is not a Federal priority. How can you make such a claim so soon after the Congress reauthorized, and President Reagan signed into law, this program?

Answer: The Department believes that decisions about allocation of vocational education funds are more appropriately made at the State and local levels where the needs can be better identified. Consumer and homemaker education might be a priority for the expenditure of State funds, but the priority should be determined by each State, not by the Federal Government. Under the administration's budget proposal, States will be free to use their increased State funds for consumer and homemaker programs if they wish.

CONSUMER AND HOMEMAKER EDUCATION -- EFFECTIVENESS

Question: If you feel that this program is not justified, what impact could improved Federal administration have on increasing the effective uses of this program?

Answer: While the Department has proposed terminating separate Federal funding for this program, States may continue to support consumer and homemaker education programs with their Basic Grant funds if they wish. We believe that tranferring the decision-making authority from the Federal to the State level will result in more effective use of the $31.6 million previously earmarked for consumer and homemaker education. Technical assistance on effective programs will be available to the States from a variety of sources, including Department staff, the National Center for Research in Vocational Education, and the Curriculum Coordinating Centers.

Question: What plans do you have to conduct an evaluation of the Consumer and Homemaker Education program in order to determine its effectiveness?

Answer: The Department will look at all vocational education services and activities assisted under the Perkins Act, including consumer and homemaker education, as part of the national assessment of vocational education programs mandated by the Perkins Act. The National Institute of Education, which will conduct the assessment, is currently developing plans for the study.

CONSUMER AND HOMEMAKER ENROLLMENT DECLINE

Question: Could the declining enrollment in recent years in the Consumer and Homemaker Education program, funded under State Programs, have causes other than declining student interest? Besides the enrollment decline, what evidence do you have that suggests that student interest has in fact declined?

Answer: According to the National Center for Education Statistics, public secondary school enrollment declined by 12.2 percent from 1977 to 1982. According to the since discontinued VEDS survey, during this same period consumer and homemaking programs continued to serve about 20 percent of the population. Anecdotal evidence suggests that school districts are concentrating more on the basics as a result of the national concern about excellence in education spurred by "The Nation at Risk" and other publications. Anecdotal evidence also suggests that students, including vocational education students, are concerned about employment and are thus concentrating on programs that are job-related.

STATE SUPPORT FOR CONSUMER AND HOMEMAKER EDUCATION

Question: What evidence do you have that States would continue support for this program if Federal funds were terminated?

Answer: Consumer and homemaker education, part of the original Smith-Hughes Act of 1917, is well institutionalized across the country. Since more than 90 percent of the funding for consumer and homemaker education currently comes from non-Federal sources, it is unlikely that States will drop these activities simply because of a shift from mandated to optional Federal funding.

PERKINS ACT -- VOCATIONAL EDUCATION HOLD-HARMLESS PROVISION

Question: The allocation formula for State Programs in the new vocational education law requires that no State shall receive an allotment after September 30, 1984, that is less than the State received for fiscal year 1984. How do you justify your proposed use of fiscal year 1983 grants to comply with this hold-harmless provision in the fiscal year 1985 State allocation formula?

Answer: The Perkins Act requires that no State receive less than the amount it received for fiscal year 1984. The Department interprets this provision to mean the amount the State received for the programs it operated during fiscal year 1984. Since this is a forward funded program, those programs were supported by funds provided from the fiscal year 1983 appropriation.

Question: By using grants from the fiscal year 1983 rather than fiscal year 1984 appropriation as the basis of the hold-harmless provision, how many States would receive smaller grants under your interpretation?

Answer: No State will receive less from the 1985 appropriation for vocational education than it did from the 1983 appropriation. However, 31 States and 4 of the Outlying Areas will receive smaller grants from the 1985 appropriation than they did from the 1984 appropriation.

Question: If they come back to us for supplemental appropriations to make up the difference, how much is it going to cost?

Answer: No supplemental is necessary. If the Department's interpretation of the Perkins Act is not acceptable, the Congress may wish to amend the authorizing statute to designate the fiscal year 1984 appropriation allocation as the hold-harmless level. In addition, an amendment to the Perkins Act is required to make the hold-harmless provision applicable to the five Outlying Areas. The administration has proposed this latter amendment along with other technical amendments to the Perkins Act.

BILINGUAL VOCATIONAL TRAINING

Question: According to recent Department of Education Annual Evaluation Reports, Bilingual Vocational Training programs can reduce unemployment rates, increase job earnings, and increase the rate of labor force participation of limited English-speaking adults. How does your fiscal year 1986 budget request for Bilingual

Vocational Training reflect the need for increased support of programs aimed at providing job training to persons who are among those with the highest unemployment rates in the United States? If the Bilingual Vocational Training program is so successful, why are you proposing to maintain [illegible] fiscal year 1985 funding level?

Answer: We believe that our request, which holds this program level with the previous year's appropriation, is sufficient. The Bilingual Vocational Training program serves only a small portion (1,300) of the population in need of such services. Primary funding is available under other Federal programs or from State and local sources. In 1981-82, about 94,000 limited English proficient students were served under programs supported by grants to States under the Vocational Education Act. The Adult Education Act also provides State grants that can be used for limited English proficient students. In 1982, more than 700,000 limited English proficient students were served under that program.

LIMITED ENGLISH PROFICIENT STUDENTS IN REGULAR VOCATIONAL PROGRAMS

Question: How many limited English proficient students participate in regular vocational education programs at the secondary, postsecondary, and adult educational levels?

Answer: According to 1981-82 VEDS data, about 55,000 limited English proficient students were enrolled in vocational education programs at the secondary level. About 39,000 participated at the postsecondary/adult level. These data, however, are highly suspect.

BILINGUAL VOCATIONAL TRAINING PARTICIPANTS

Question: How many students enrolled in the Bilingual Vocational Training program dropped out of high school?

Answer: The Bilingual Vocational Training program is designed for out-of-school youth and adults. According to a study by Kirshner Associates (1980), about 44 percent of the trainees in this program had completed 12 years or more of school.

Question: What is the rate of completion of these former drop-outs in this program?

Answer: The Kirshner Associates study provides some, although incomplete, information:

> Nearly three-fourths of the 472 persons in the follow-up sample who were no longer in training reported that they had completed the training class. Almost half of the trainees who had completed training did so by virtue of meeting their training objectives, while the other trainees remained in a class until its completion.
>
> Training completion rates were higher in the Subpart 3 programs [Bilingual Vocational Training] than in other types of programs: the completion rate in Subpart 3 programs was about 90 percent. (Since

trainees were sampled originally from among those enrolled in training, it is not known how many might have already left training.)

(Kirshner Associates, Inc., "Evaluation of the Status and Effects of Bilingual Vocational Training," March 1980)

It should be noted that the contractor does not provide the percentage of those who completed the programs by staying throughout the entire course. For all programs this appears to be about 37 percent (half of the 75 percent who completed either "because their objectives were met" or because they actually finished the program).

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

ECONOMIC DEVELOPMENT PROGRAMS

Question: Mr. Worthington, you reported last year that at least 20 States had established quick-start economic development programs to provide vocational training for new industries moving into their areas. Does the new legislation address this issue in any way?

Answer: Yes. The Perkins Act reflects a strong commitment to the relationship between vocational education and economic development through its Statement of Purpose and through the kinds of activities authorized throughout its various programs.

Question: How many States are now involved in economic development along these lines?

Answer: We do not have current information in this area. The information we supplied last year on the 20 States was based on a survey conducted three years ago. After the new Act is implemented, we hope to learn more about the extent to which States are providing vocational training related to new industries.

Question: What kinds of reporting requirements are established under the new law regarding the effectiveness of these programs?

Answer: There are no reporting or evaluation requirements specifically for these types of programs. However, Section 113(b)(9)(A) requires States to "...develop measures for the effectiveness of programs assisted under this Act in meeting the needs identified in the State plan, including evaluative measurements such as--

(i) the occupations to be trained for, which will reflect a realistic assessment of the labor market needs of the State;
(ii) the levels of skills to be achieved in particular occupations, which will reflect the hiring needs of employers; and
(iii) the basic employment competencies to be used in performance outcomes, which will reflect the hiring needs of employers...."

COORDINATION WITH REHABILITATION SERVICES

Question: To what extent do you work with the Assistant Secretary for Special Education and Rehabilitation Services to coordinate programs at the State level?

Answer: During the past year, meetings have taken place between the Assistant Secretaries of OVAE and OSERS to inform and plan for coordination. Vocational education staff have also held several meetings with special education staff to keep informed of changes in law and regulations. The vocational education specialist for the handicapped meets frequently with special education staff to coordinate activities relating to conferences, program monitoring, and procedures to encourage State interagency agreements.

ADMINISTRATIVE BUDGET REDUCTION

Question: Mr. Worthington, your total administrative budget is $5.3 million for the current year and would go down to $4.9 million under the proposal. That's a rather moderate budget in both instances. I notice you've already cut your staff by 39 percent and next year an estimated decrease of five full-time positions is contemplated through improved efficiency in operations, according to the Justifications. How do you plan to do this?

Answer: Over the past fiscal year, we have implemented several activities which have improved the efficiency of our operations, thus enabling us to reduce our administrative budget. Further operating modifications will permit us to streamline our staffing even more in fiscal year 1986.

For example, we have instituted travel reductions, with strict limitations on conferences, out-of-area training, and invitational travel. The use of electronic mail has also obviated the need for many trips. We have carefully screened purchase orders for services, office supplies, publications, periodicals, and subscriptions.

The need for overtime decreased due to our use of word processing equipment. We now print only legislatively mandated reports and program application forms. We make very little use of consultant and professional services. In addition, we are currently examining every function in the office to determine which ones may lend themselves to commercial contracting at a lesser cost.

OCCUPATIONAL INFORMATION COORDINATING COMMITTEES

Question: The budget includes $2 million for continued support of the National and State Occupational Information Coordinating Committees. What do these committees do?

Answer: The National and State Occupational Information Coordinating Committees (NOICC & SOICC) assist students, educators, and occupational planners in determining future labor market conditions by improving and disseminating job information. NOICC's purposes are to improve the use of employment data by vocational educators, employment training administrators, and other users; develop and implement an occupational information system that meets the common information needs of the vocational education and employment training systems; and conduct studies on the effects of technological change on new and existing occupational areas. SOICCs develop and implement occupational information systems in the States.

During fiscal year 1984, NOICC:

- Awarded a grant to develop software for a microcomputer occupational information system (OIS) to meet the needs of State and local administrators nationwide.
- Awarded a grant to the Iowa SOICC to update the Vocational Preparation and Occupations (VPO) crosswalk tape. The crosswalk tape is used to link supply and demand information on skilled workers available for different occupations. The Iowa SOICC also serves as a National clearinghouse for State-initiated changes in the OIS.
- Awarded nine grants to assist States in incorporating information on military occupations in their Career Information Delivery Systems (CIDS). During 1984, three new States established CIDS, bringing the total number of States with these systems to 43.

QUESTION SUBMITTED BY SENATOR LAWTON CHILES

CONSUMER AND HOMEMAKER EDUCATION

Question: How do you rationalize the shift of consumer and homemaking education funds to the State Basic Grant when the national priorities identified in the Basic Grant focus on training for the workplace?

Answer: The national priorities identified in the Basic Grant program include a focus on training for the workplace, but they also focus more generally on providing high quality vocational education programs to target populations and on improving and expanding all vocational education programs. Since consumer and homemaker education programs are by definition vocational education programs, Basic Grant funds may be used to provide accessible, high quality consumer and homemaker education programs to target populations, and to improve and expand all consumer and homemaker education programs.

The proposed shift of funds to the Basic Grant program is designed to give the States more flexibility to use their Federal vocational education funds for their individually determined needs and priorities. These may, of course, include consumer and homemaker education activities.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

PERKINS ACT -- NATIVE HAWAIIAN SET-ASIDE

Question: Mr. Worthington, during our deliberations on the Carl D. Perkins Vocational Education Act, Native Hawaiians were included under the Indian set-aside provisions. Your regulations have now been published in the Federal Register and were very consistent with the "intent of Congress". I would appreciate receiving a brief report from you regarding your plans for implementing this initiative.

Answer: Final regulations will be published this summer. In June, the Department will publish a notice in the Federal Register to invite eligible applicants to apply for funding. Applications will be due in August for projects that will operate during the 1985-86 school year.

SUBCOMMITTEE RECESS

Senator WEICKER. The subcommittee will stand in recess until Tuesday, April 23, at 9:30 a.m., in room SD-116. At that time, we will hear testimony from the following: Elementary and secondary education; education block grant; impact aid; research and statistics; and libraries.

[Whereupon, at 12:20 p.m., Wednesday, April 17, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, April 23.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

TUESDAY, APRIL 23, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:32 a.m., in room SD-116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, and Proxmire.

DEPARTMENT OF EDUCATION

ELEMENTARY AND SECONDARY EDUCATION

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

MARY JEAN LeTENDRE, DIRECTOR, COMPENSATORY EDUCATION PROGRAMS

JOHN STAEHLE, DEPUTY DIRECTOR, COMPENSATORY EDUCATION PROGRAMS

LAWRENCE L. BROWN, DIRECTOR, ELEMENTARY, SECONDARY, AND VOCATIONAL ANALYSIS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

PREPARED STATEMENT

Senator WEICKER. The subcommittee will come to order.

The first witness this morning is Lawrence Davenport, the Assistant Secretary for Elementary and Secondary Education.

Dr. Davenport, please introduce your colleagues and proceed as you wish. Your statement will be placed in the record in its entirety.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

I am pleased to appear before your committee to discuss the 1986 budget request for Compensatory Education for the Disadvantaged. We are requesting $3.6 billion for fiscal year 1986, $49 million less than the 1985 level. This request recognizes the urgent need to curtail expenditures and control the Federal deficit while maintaining the Federal Government's commitment to helping States and localities meet the special educational needs of economically disadvantaged children. The activities supported within this account remain high priorities within the Department and make up nearly 24 percent of its 1986 budget request.

At our 1986 request level, we would fund most Chapter 1 activities at their 1985 appropriation levels -- thus enabling them to continue their operations with little or no loss in effectiveness. We would reduce funding for the Chapter 1 Migrant Education program to reflect a proposed legislative reform that will focus funds more effectively on children who actually migrate. No funds are requested for the High School Equivalency and College Assistance Migrant programs because of their high costs and because of duplicate services available through other sources.

Grants to Local Educational Agencies

Chapter 1 Basic Grants to Local Educational Agencies remains the primary vehicle for providing compensatory education services to the disadvantaged. We are requesting $3.2 billion for this program, the same as last year. This amount will enable LEAs to maintain services for an estimated 4.7 million disadvantaged children at an average Federal contribution of $674 per child. Local school districts alone, however, determine the actual number of children receiving Chapter 1 services and thus the Federal contribution per child in any year. Program data attest to the large variation in the ways States and localities chose to use their Federal funds. In the 1982-83 school year, (the latest year for which actual participation data are available) the average Federal contribution per child ranged from $328 to $1,104 depending on the State. Nearly 14,000 school districts, 90 percent of the districts in the United States, will continue to receive Chapter 1 funds in school year 1986-87.

State Agency Programs

For the Chapter 1 Migrant program we are requesting $223 million. Of this amount $5 million will support the Migrant Student Record Transfer System and the remainder will support compensatory education activities provided by the State. Our request reflects a proposed legislative change that would affect the length of time that a child may be eligible to receive services as a "formerly migrant child." Program data indicate that 60 percent of all students counted for the 1984-85 school year allocation are "formerly migrant" students who have not moved in the previous year, and that 26 percent of these formerly migrant students have remained in the same school system for at least three consecutive years. We believe that children who no longer migrate, but who are educationally disadvantaged, are more properly served under the Chapter 1 LEA Grant program. Our proposed 1986 policy will enable us to focus program funds more appropriately on children whose education has most recently been affected by their migrant status. Under this proposal, children who are in their fourth and fifth year of eligibility as formerly migrant children would no longer be eligible for services or counted for allocation purposes. We would, however maintain the current level of Federal support for an estimated 345,600 children (including summer participants) who are currently migratory or who are in their first, second, and third year of eligibility for services as formerly migratory children.

We have requested $150 million in 1986 for the Chapter 1 Handicapped program, the same as the 1985 level. At this level, we expect States to continue to serve about 247,000 children with a Federal contribution per child of roughly $608. No policy changes are proposed in fiscal 1986.

For the Neglected and Delinquent program, we are requesting $33 million, the same as the 1985 level. At this level, States could continue to provide services to about 52,000 students with an average Federal contribution of $625 per child. No policy changes are proposed.

Other Programs

To provide for the various administrative requirements of Chapter 1, we are requesting $36 million for State Administration in 1986. This is the same as the 1985 appropriation level. Each State will receive an amount that is proportionate to its total Chapter 1 allocation, but no less than $225,000.

For Evaluation and Technical Assistance we are requesting $5.2 million. A portion of these funds will support the final phase of the mandated evaluation of Chapter 1. The information resulting from this evaluation will assist the Department and the Congress in developing program policy for the 1987 Chapter 1 reauthorization. Remaining funds will provide assistance to State and local officials through regional technical assistance centers and will support a number of small-scale studies and data analysis tasks.

We have requested that funds for this activity become available immediately upon enactment of the fiscal year 1986 appropriation rather than delaying their availability until July 1, 1986, like the other Chapter 1 funds. This will enable the Department to make funds available earlier in the fiscal year for the studies associated with the mandated Chapter 1 evaluation and thus ensure its completion by the January 1987 deadline established in the 1983 ECIA Technical Amendments.

Finally, we are requesting no funds for the High School Equivalency program (HEP) or the College Assistance Migrant program (CAMP) in 1986 because they are duplicative and costly relative to the number of students served. In the 1984-85 school year the $7.5 million appropriated for HEP and CAMP will serve only 3,200 students at an estimated cost of $2,300 per student. We believe that these programs are too small to have a significant impact on education nationally and that other Federal programs can provide similar services at a much lower cost.

Proposed Legislation

In order to implement the 1986 budget proposal I have just outlined and to ensure the smooth operation of the Chapter 1 program, we have proposed several amendments to the authorizing statute.

The first amendment would allow the Department to use the criteria of poverty used by the Bureau of the Census in compiling the 1980 census, instead of the criteria associated with the 1970 census. This amendment would provide us with a more consistent and accurate data base on which to make the formula allocations.

The second amendment would eliminate the requirement that the Department distribute a part of the 1986 Chapter 1 request on the basis of obsolete 1975 Survey of Income and Education (SIE) data.

The third amendment concerns the Chapter 1 Migrant Education program. The proposed legislative change would reduce from five to two years the time a formerly migrant child can be counted for purposes of allocating funds and receiving services. This proposal would be phased in over two years. Under the existing law, children are counted for allocation purposes and can receive services for five years after they have ceased to migrate. The proposed change would allow us to focus funds and services more effectively on those children who are actually migratory.

The fourth change would affect the funding authorization for migrant coordination activities by eliminating the minimum funding requirement of $6 million. This legislation would give us needed flexibility in allocating resources between direct services and coordination activities.

The Administration will also submit separate legislation to give local educational agencies the option of providing Chapter 1 compensatory services through a voucher mechanism. The proposal would not affect the distribution of Chapter 1 funds to local school districts, but would introduce more flexibility at the local level to provide services to educationally disadvantaged children and provide parents more choice in selecting a compensatory education program that best meets the needs of their children.

My colleagues and I will be happy to respond to any questions you may have.

BIOGRAPHY OF LAWRENCE F. DAVENPORT

POSITION : Assistant Secretary for Elementary and Secondary Education

BIRTHPLACE AND DATE : Lansing, Michigan, October 13, 1944

EDUCATION : Michigan State University, 1966, B.A.
Michigan State University, 1968, M.A.
Fairleigh Dickinson University, 1975, Ed.D.

EXPERIENCE

PRESENT : Assistant Secretary for Elementary and Secondary Education

1981-1982 : Associate Director for Domestic and Anti-Poverty Operations, ACTION
1979-1981 : Provost, San Diego Community College District
1974-1979 : President, San Diego Community College Educational Cultural Complex
1972-1974 : Vice President for Development, Tuskegee Institute
1972-1972 : Assistant Dean for Special Projects, the University of Michigan-Flint
1969-1972 : Director of Special Projects, the University of Michigan-Flint
1968-1969 : Assistant Director of Student Activities, Lansing Community College

Compensatory Education for the Disadvantaged

Budget Authority by Activity

	1984	1985 Appropriation	1985 Revised	1986
1. Grants for the disadvantaged:				
a. Grants to LEAs..............	$3,003,680,000	$3,200,000,000	$3,200,000,000	$3,200,000,000
b. State agency programs:				
(1) Migrants................	258,024,000	264,524,000	264,524,000	222,976,000
(2) Handicapped.............	146,520,000	150,170,000	150,170,000	150,170,000
(3) Neglected & delinquent..	32,616,000	32,616,000	32,616,000	32,616,000
Subtotal..........	437,160,000	447,310,000	447,310,000	405,762,000
c. State administration........	34,414,000	35,607,000	35,607,000	35,607,000
d. Evaluation and studies......	4,746,000	5,246,000	5,246,000	5,246,000
Subtotal..........	3,480,000,000	3,688,163,000	3,688,163,000	3,646,615,000
2. Migrant education:				
a. High school equivalency program......................	6,300,000	6,300,000	6,300,000	---
b. College assistance migrant program.............	1,950,000	1,200,000	1,200,000	---
Subtotal..........	8,250,000	7,500,000	7,500,000	---
Total.............	3,488,250,000	3,695,663,000	3,695,663,000	3,646,615,000

INTRODUCTION OF ASSOCIATES

Mr. Davenport. To my right, Mr. Chairman, is Mary Jean LeTendre, the Director of Compensatory Education Programs. To her very right is John Staehle, the Deputy Director of Compensatory Education. To my left is Lawrence Brown, Director of Elementary and Secondary and Vocational Analysis Division of the Office of Planning and Budget.

OPENING STATEMENT

Mr. Chairman, and members of the committee, I am pleased to appear before your committee to discuss the 1986 budget request for compensatory education for the disadvantaged. We are requesting $3.6 billion for fiscal year 1986, $49 million less than the 1985 level. This request recognizes the urgent need to curtail expenditures and control the Federal deficit, while maintaining the Federal Government's commitment to helping States and localities meet the special educational needs of economically disadvantaged children. The activities supported within this account remain high priorities within the Department and make up nearly 24 percent of its 1986 budget request.

At our 1986 budget request level, we would fund most chapter 1 activities at their 1985 appropriation levels, thus enabling them to continue their operation with little or no loss in effectiveness. We would reduce funding for the chapter 1 Migrant Education Program to reflect a proposed legislative reform that would focus funds more effectively on children who actually migrate. No funds are requested for High School Equivalency and College Assistance Migrant Programs because of their high costs and because they duplicate services that are available through other sources.

Mr. Chairman, we are prepared to answer questions.

CHAPTER 1 HANDICAPPED PROGRAM

Senator Weicker. The chapter 1 State Handicapped Program provides funds to States to help educate handicapped students in institutional settings. We have seen a great deal of evidence of Public Law 94–142's tremendous impact on improving disabled children's education in regular school classrooms.

What studies or assessments can you cite as the chapter 1 State Handicapped Program students' educational progress?

Mr. Brown. First, Mr. Chairman, let me say that Mr. Davenport is not administratively responsible for this particular program. Mrs. Will is.

I can cite a study that will give you information, a study that we are conducting now to investigate the characteristics of students who participate both in this program to compare those characteristics and the services that they receive with students that participate in the Handicapped Program authorized by Public Law 94–142.

That particular effort began in October of last year, and it should be completed sometime later in 1985. We expect that this will be a first phase of a two-phase project. If it looks like we can do a national study as a result of this first phase, we will continue with the study later and do a more in-depth evaluation.

EXCELLENCE AND EQUITY IN THE PUBLIC SCHOOLS

Senator WEICKER. It has been argued in a recent report entitled "Barriers to Excellence: Our Children at Risk," that the recent national focus on raising the level of excellence in our schools has distracted attention from the needs of the educationally disadvantaged, placing these children even more at risk than in the recent past.

How does your budget reflect a renewed commitment to support both excellence and equity in our schools?

Mr. DAVENPORT. The chapter 1 funding level, we estimate, will allow us to serve somewhere between 70 and 78 percent of the eligible school population, and our chapter 1 initiative to identify exemplary chapter 1 programs and to recognize them across this country continues to drive toward excellence.

When we begin to talk about raising educational quality in the country, I think sometimes people do not understand that education quality has to be in every school in the country. In that way, as you move forward aggressively to raise educational standards, you are going to aid those who have been receiving a poor quality of education as well as those who have been receiving a better quality education.

CHILDREN ELIGIBLE FOR CHAPTER 1

Senator WEICKER. The report recommends that chapter 1 funds be increased to serve all eligible children. What proportion of eligible children are now served under chapter 1?

Mr. BROWN. That depends on how you count eligible children, Senator. I think the Department would say that we are probably serving between 70 and 78 percent of the eligible population. Often one hears the number 50 percent bandied about, I think that that is probably based on the assumption that all low-income children or, alternatively, all educationally disadvantaged children are located in school attendence areas eligible to participate in this program. In fact, the eligible population, once you get down to the school level, consists of educationally disadvantaged children.

There are two ways to get an estimate. If you look at the total number of children who are poor, there are about 8 million in the United States of whom about 6 million are educationally disadvantaged. We estimate that we will be serving something on the order of 4.7 million of those children, and that is something like 78 percent.

If you take the total number of educationally disadvantaged children as the denominator, the base on which you calculate this, that number is somewhere around 9 million. Not all 9 million of those children live in school attendence areas eligible for chapter 1—probably 75 percent do. Based on that assumption, it is our guess that somewhere around 70 percent of the eligible children are being served.

Senator WEICKER. Don't you think that we ought to have better data than just sitting here saying, I guess this, or the estimate is this. It seems to me that we ought to have some data on this matter.

Mr. BROWN. That is one of the things that the NIE study is going to look at. The first report from the NIE study will investigate the need and the extent of need among various student populations for chapter 1. That study's first report will come out, I believe, in January 1986, and we should have a better handle on what the eligible population looks like then. I agree that we need better data.

CHAPTER 1 COST EFFECTIVENESS

Senator WEICKER. You maintain that the school districts could do more to serve chapter 1 students with less money than they are now spending. I don't quite follow that. Do you want to respond to it?

School districts could do more to serve chapter 1 students with less money than they are now spending, less per pupil.

Mr. DAVENPORT. The dollars that the school districts are presently expending per pupil vary from district to district. One of the things that we have been doing over the past year is to identify programs that exemplify excellence and are cost effective; then to share information on these programs with the other districts so that they could duplicate these programs in their own communities.

A district could, for example, decide to spend $1,000 per student; another could spend $2,000, and other districts spend $225 per student and still run an outstanding program. The higher the expenditure per child, the fewer children that can be served. We are trying to share with all the districts information about the outstanding cost-effective programs.

We estimate that over $600 is being spent per student nationally. But when you look at children actually served by the local districts, as you know, Senator, that figure jumps up drastically. The actual amount of money spent per student is higher because LEA's are not serving all of the eligible children, they are serving a select group of kids.

Ms. LETENDRE. Senator, from our analysis of 118 projects which have recently been identified as unusually successful, costs range from about $200 to $2,000, with about 38 percent of the projects costing below $500. The average per pupil costs in these projects, when we total them and average them, are $657. The average per pupil costs for projects that focus on mathematics are only $430.

So we have a number of models that have effective results that we will be able to share with the rest of the country.

Senator WEICKER. I gather that many of the exemplary low cost chapter 1 programs that you cite are primarily located in the rural and small towns serving relatively few numbers of children.

Ms. LETENDRE. Senator, I have just looked at that. If you look at the incidence of poverty, the district practices study indicated that a district with a high incidence of poverty would have 12 percent or more of its total enrollment coming from a poverty background. Nationally, 48 percent of our projects were in districts that fell within that range. As we reviewed these 118 projects only 14 projects were in district with less than 12 percent, and all of the rest of them were above that. So approximately 80 some percent of the projects here were in areas of high incidence of poverty.

If we look at the demographic data itself, reported by these programs, 45 of the projects considered themselves urban projects, which would be 38 percent, 17 projects considered themselves rural, which is 14 percent, and then we had small towns, suburban, and a combination of urban and suburban.

So, indeed, it is not accurate to say that most of these projects are in rural areas or small towns. If you look at these projects, you see a different picture. We would be pleased to provide more information to you about these projects.

CHAPTER 1 VOUCHER PROPOSAL

Senator WEICKER. According to your justification, the administration intends to propose voluntary voucherization of the chapter 1 program whereby parents of chapter 1 students could use vouchers to send their children to the school of their choice.

Albert Shanker, who is the president of the American Federation of Teachers, warned that if such a proposal were implemented, many public schools would be turned into charity wards for private school rejects, left with those students who are hardest to educate and with the most severe discipline problems.

Do you share those concerns?

Mr. DAVENPORT. No, sir.

Senator WEICKER. You don't.

What information do you have that refutes this conclusion that certain schools will not become dumping grounds for those difficult to educate?

Mr. DAVENPORT. The program for which we are considering vouchers is chapter 1. Such a proposal would allow chapter 1 parents a greater opportunity to chose an educational program that best meets the educational needs of their children.

I don't know what Mr. Shanker was referring to, you will have to ask him. If he is referring to the chapter 1 program, the vouchers would be available to educationally disadvantaged students and would allow them the choice of moving to other schools.

Senator WEICKER. I have not talked to Mr. Shanker, so I am not going to speak for Mr. Shanker, but I think the point that even in that kind of a setup, it is not a matter of income level, and it is not a matter of where one lives or the color of one's skin, the fact is that we are probably very clearly dealing with the behavior problems that might be rather difficult in the sense of those that are rejected by the private institutions.

How did we get into this voucherization, and just out of curiosity, is it the law now?

Mr. Davenport. No; the administration has indicated that we are going to propose it, Senator.

Senator Weicker. Why are we even listening to this? I don't understand it. This is not the law now.

Mr. Davenport. No.

Senator Weicker. Why do we go through this in the appropriations hearing?

I have said year after year, you people get the law changed, and I will be glad to go ahead and deal with the changed law.

I know exactly what is going to happen on this, and it is the whole fallacy of the voucher system. We are dealing with public education, that is my responsibility. Indeed, I think it is your responsibility as long as the law is written that way.

I don't understand. We are trying to make this system work. The private system works insofar as it has access to funds, students, and all the rest of it, by virtue of its competition, and in offering a better product.

Granted, I am dealing with a monopolistic system to some extent, and I have to try to make it work. Here you come in and talk about a voucher system, and in your own statement, where you are talking about chapter 1, State Agency Handicapped Program, you are imposing a freeze level to help control the Federal deficit. What the heck does that have to do with education? It might have a lot to do with the deficit, but what has it got to do with the program that you have been charged with?

If you were OMB sitting here before me, I would certainly respond to that, that would be the job of OMB. But what does controlling the deficit have to do with these very special people put under your charge? I don't understand that. We are talking about voucher system.

Mr. Brown. Let me say, with regard to the voucher system, the proposal is still under discussion within the Department, Senator. We don't do anything in a vacuum.

Senator Weicker. I understand that.

Mr. Brown. I would like to correct one thing. The voucher proposal would not merely be available to students so that they could move from public schools to private schools. Indeed, it would be available so they could move, at least as it is currently constituted, from one public school to another public school because it offered a better education, or a particular situation that was more favorable for that particular student's needs.

So that not all of the students who would participate in this proposed program would necessarily leave the public school system, many would not. Again, Mr. Shanker's statement is speculative.

Senator Weicker. I suppose it is speculative, as speculative as your coming before this Appropriations Committee with a voucher proposal that is not the law. That is speculative also. Does anybody want to bet on whether there is going to be a law enacted permitting a voucher system this year? I will be glad to take the bet.

Mr. Brown. I thoroughly agree with you.

Senator Weicker. I am chairman of an appropriations subcommittee, and not an authorization committee, and for me to go ahead and deal with every speculation that comes down the pike, believe me, with 30 to 35 days of hearings, I don't need any more of that, not here.

Mr. Brown. This is not one of those instances. But in a good many cases, when we discuss legislation in our budget justifications and in connection with our appropriation request, the budget request and proposed legislation are tied. You have to discuss the legislation in order to explain the budget proposal. The Migrant Program is an example of that in this program. We have proposed a reform of that program, and there is a reduction in the cost as a result, and that is proposed in legislation.

Senator Weicker. With the way this administration uses the word reform, believe me, as soon as I hear that, my ears perk up.

Let's continue along this line of questioning for a minute.

CHAPTER 1 HANDICAPPED PROGRAM

Since 1979, the number of children served under this program has increased by 20 percent, and according to your own documents a freeze would actually be a reduction of $6.9 million due to inflation. That is right, isn't it, that is what I have here.

Mr. Davenport. Yes.

Senator Weicker. It is a reduction of $6.9 million for whatever reason.

Mr. Brown. Let me check.

Senator Weicker. The population, since 1979, has increased by 20 percent. How does this reconcile with the ones that we intend to serve? I don't understand that.

Mr. Davenport. The population has increased?

Senator Weicker. Yes.

Mr. Davenport. Are we talking about the total?

Senator Weicker. The children served under chapter 1 increased by 20 percent since 1979, that is handicapped chapter 1 children that we are talking about.

Mr. Brown. I don't have that information. I think we will be glad to supply that for the record. Again, Mr. Davenport does not have primary responsibility for this particular program.

Mr. Davenport. Mr. Chairman, I was consulting a special education representative in the back. As Mr. Brown said that program is under Assistant Secretary Will. I have been advised that there has been a leveling off of the number of students in institutions and students moving from institutions to the public schools. We will provide that information for the record.

[The information follows:]

Number of students served by the chapter 1 handicapped program

School year:	Number served
1984–85	247,119
1983–84	245,785
1982–83	242,616
1981–82	243,708
1980–81	233,744
1979–80	225,660

CHAPTER 1 HANDICAPPED PROGRAM

Senator WEICKER. The difficulty that I have with many of the administration's proposals is that the bottom line in whatever we do is the people that we serve. We can talk about dollars, concepts, speculations, et cetera.

How many people are being served? I think that if the administration came in with that number attached to every one of its proposals, I think the Nation would understand the gravity of these proposed cuts.

It is not just a matter of dollars, it is a matter of people. When I am told that there is $6.9 million that is being knocked down, and a 20-percent increase in the handicapped children being served, I don't know what that means to any of you, but it certainly means to me that a lot less are going to have the benefits of this particular program.

Then, of course, I have to get back to the initial statement in the budget presentation that this is being done not because of a decrease in the population, it is being done for budgetary reasons.

Mr. DAVENPORT. No; Mr. Chairman, as I stated, there has been a shift from the institutions to the public schools. The institutions, as you know, have a higher cost. Some of the decrease is the result of the lower costs due to the move to the public schools.

Since this program is under Assistant Secretary Will, I will have to get the information and provide it for the record. I am not prepared to go in depth on this subject.

BUDGET REQUEST FOR COMPENSATORY EDUCATION

Senator WEICKER. The bottom line of all this is, in this account number, which you have responsibility for, compensatory education for the disadvantaged—we are talking about migrants, handicapped, neglected, and delinquent—you are down by $41 million. In the migrant education, high school and college, you are down an additional $7.5 million, for a total of $49 million less.

I just want to get the answers as to what this is a result of—the declining population or whatever.

Mr. BROWN. The major source of the reduction is the Migrant Education Program where we have proposed, for the third year in a row, I believe, to phase out permitting students who are formerly migrants to participate for as many as 5 years after they migrate. We are proposing to reduce the number of years down to 2 years and phase the proposal in over a 2-year period.

Around 60 percent of the total migrant population eligible for this program have not moved during the past year. I received new data yesterday for fiscal year 1985, that indicate that something like 42 percent of all the migrants counted for allocation purposes under this program have been in the same district for between 3 to 6 years.

It just seems to us, considering that many of those students are eligible and, indeed, receive chapter 1 funds that the program would be better served and the Federal taxpayer would be better served if those migrant moneys went to children who actually migrated, or who had migrated most recently; that is, those children who had migrated within the past year and are considered currently migratory or those formerly migratory children who had migrated within the past 3 years.

BUDGET REQUEST FOR CHAPTER 1 LEA GRANTS

Senator WEICKER. Why did you not request a corresponding increase in the regular chapter 1 program to serve these migrant children who will not be served by the Migrant Education Program?

Mr. BROWN. Obviously, we are under some constraint, and many are real budgetary constraints. We suspect that many of these formerly migrant children are in fact not even served, under the chapter 1 Migrant Program. The formerly migrant child in the fourth and fifth year of eligibility draws funds to a district because of his or her presence, but that district need not serve that fourth or fifth year child. The money that the district receives ends up serving the currently migratory kids and formerly migrant kids in the first and second years of eligibility.

Many of those other formerly migrant children that you are talking about are already currently served under the chapter 1 LEA Grant Program. In a way there is no reason to increase chapter 1 LEA grant funding insofar as their being served under that program.

There are other authorities as well where they can receive funding. After they have settled down, it seemed to us, they are no different than any other educationally disadvantaged child.

Senator WEICKER. Senator Andrews.

SPECIAL PROGRAMS BUDGET REQUEST

Senator ANDREWS. Thank you, Mr. Chairman.

I would like to ask questions on the next topic, if I could, because then I have to go to another hearing, and then I will come back, but it is the same group.

Secretary Davenport, in your statement on special programs, and in your budget request for special programs, you talk about science and mathematics education. You point out the necessity of strengthening the skills of teachers and improving instruction in mathematics, science, computer learning, and foreign languages. I assume that those are your words, and you stand very strongly behind them. Is that essentially true?

Mr. DAVENPORT. Are you talking about my statement, or the budget justification?

Senator Andrews. I am talking about your statement.

Mr. Davenport. Yes, sir.

Senator Andrews. It is page 3 of your statement, those are the words that I read back to you, if you recall them, that you feel it is necessary to strengthen the skills of teachers and improve instruction in mathematics, science, computer learning, and foreign languages. That is essentially your statement.

Mr. Davenport. Yes; that is right.

Senator Andrews. How do you stand, Mr. Secretary, on the American Defense Education Act which is designed to do precisely that, take the identifiably strong teachers, the career teachers, and provide the incentives and the wherewithal to cycle them back, give them the extra training so that they can do precisely what you have spelled out in that statement?

Mr. Davenport. Mr. Chairman, we believe the funds available now in the National Science Foundation, and the funds that we are about to allocate to the States, represent sufficient Federal presence in this effort at this time. We do not see the necessity for a new effort or a new program.

Senator Andrews. Don't you feel that one of the best, if not the only way to incite the students to greater achievement is by further training of those identifiably dedicated teachers?

Mr. Davenport. Presently funds are available through the Science and Math Program and the National Science Foundation. So there are already sufficient funds available if school districts choose to use them for that purpose.

Also, under chapter 2, if a school district decides that it wants to initiate training for the teachers, those funds are also available. Those decisions are made at the local level.

On the specific legislation, I don't know if the Department has taken a position at this time. I am responding to you in view of what we have presently.

DEPARTMENT OF DEFENSE EDUCATION ACT

Senator Andrews. Who in the Department would take a stand on the Department of Defense Education Act if not you, Mr. Secretary?

Mr. Davenport. I don't know if a position has been taken on that yet.

Senator Andrews. You have looked at the bill?

Mr. Davenport. Yes, sir.

Senator Andrews. What do you think, as an educator, of the bill, the concept?

Mr. Davenport. I believe at present, Senator Andrews, we have sufficient funds available through the science and math and chapter 2 programs.

Senator Andrews. But wherever we have gone, Mr. Secretary, we have seen statistics that have shown that we need to do more in science and math, that we are critically undereducating in those fields. I found that in hearings I held with Senator Leahy in Vermont. We find it in my own State of North Dakota.

With the teacher shortage that we keep hearing about, shouldn't we do everything we can to ensure that qualified teachers are out there, the teachers you have already identified as wanting to be career teachers are given further instruction and further backgrounding?

Mr. DAVENPORT. Again, Senator, we are talking about the proper Federal role. I believe the Federal Government, through the Science and Math Program, and through the National Science Foundation, has identified the proper Federal role.

The States and the localities have to take responsibility for meeting the educational needs in their communities. Some school districts have started programs to retrain teachers in math and science, and are sending them back to school. That is their decision at the local level.

I believe we have encouraged them, through the science and math legislation, and National Science Foundation programs I believe that that is sufficient at this point.

Senator ANDREWS. In other words, Mr. Secretary, what you are saying is that although a shortage of adequate training in science and mathematics has been identified as a national problem, you don't disagree with that, do you?

Mr. DAVENPORT. It depends on how you define the problem. There are enough qualified people out there that can teach science and math. The problem is some of the certification rules and other factors which restrict them from entering into the classroom. Those are things that the State of New Jersey and others are looking at.

I think that we have to let the States work this out. I have faith in the States, that they will come up with programs that meet the needs of their kids, and that they know they have a need.

Senator ANDREWS. Are you telling this subcommittee that as the Assistant Secretary for Education that you feel that there are enough trained people out there that can move into the classroom and do the job that needs to be done in mathematics and science if only State certification rules are changed?

Mr. DAVENPORT. No.

Senator ANDREWS. I am just repeating back what I heard you say.

Mr. DAVENPORT. You are asking a variety of questions and I am responding in sections. You have to look at the whole picture. I am saying that the National Science Foundation, what we at Education are doing in the science and math, and chapter 2 programs and the State initiatives to identify and break down the barriers to allow qualified people into the classroom. All of those things together begin to answer the problem.

Senator ANDREWS. Mr. Secretary, the point is, these programs are indeed and in fact in place now, but the problem continues to exist.

Mr. DAVENPORT. Senator, we are just now starting to allocate funds to the States under the Science and Math Program. These are funds that will be going into the school districts for the next school year. No, sir, they are just now starting to get those funds.

The National Science Foundation, not too long ago, announced their funding of applications for next year.

The result of what has already been passed will not be entering into the school districts until next year. What you are talking about is adding a new program on top of that before we even get the results of what we are spending presently.

Senator ANDREWS. You feel that the $100 million for the Science and Mathematics Education Program is new money?

Mr. DAVENPORT. Yes.

Senator ANDREWS. I don't know how you can say that it is new money because let me refer you again, Mr. Secretary, to your own statement where you say: "We are requesting $100 million for the Science and Mathematics Education Program, the same level as in 1985."

In the years that I have been on the Appropriations Committee, I don't call that new money. I call it the same program going on.

Mr. BROWN. Let me explain. The 1985 money, the first year that this program was funded was in 1985, this fiscal year, and that money will not become available until this July. So it has not been spent. In that sense, the program that we are talking about has not even begun, and that is what Dr. Davenport is referring to as new money.

Senator ANDREWS. You feel that that program is going to do a better job of training and facilitating the new knowledge of teachers than the American Defense Education Act.

Mr. BROWN. We hope so. We just had legislation passed to address this need. It seems to me that it would be counterproductive to establish another authority to do the same thing until you give this program a chance to work, and I think that this is our position. It seems reasonable to me.

Senator ANDREWS. We appreciate your taking a stand, Mr. Secretary.

I appreciate the time, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much, Senator.

There are further questions on this section that will be submitted for response to the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

ASSESSMENT OF CHAPTER 1 HANDICAPPED STUDENTS

Question: The Chapter 1 State Handicapped program provides funds to States to help educate handicapped students in institutional settings. We have seen a great deal of evidence of P.L. 94-142's tremendous impact on improving disabled children's education in regular school classrooms. What studies or assessments can you cite as the Chapter 1 State Handicapped program student's educational progress?

Answer: First, it should be noted that children may be served in institutional settings under both the Chapter 1 Handicapped program and the Education of the Handicapped Act (EHA), Part B State Grant program. Also, many, if not most children served under the Chapter 1 program are not in institutions. Except for children counted under the "follow the child" provision of Chapter 1, the primary distinguishing feature between the programs is not the educational setting, but whether States or local educational agencies are responsible for the placement.

The Department has not conducted any studies directly focusing on the educational impact of the Chapter 1 Handicapped program on children served with these funds. However, all children are entitled to a free appropriate public education under the Education of the Handicapped Act, whether they are counted under the Chapter 1 Handicapped program or EHA, Part B State Grant program. Chapter 1 programs are reviewed along with EHA programs during Office of Special Education Programs program reviews.

We are also funding a design contract for a five year study of a sample of handicapped students to assess the impact of P.L. 94-142. This study will include some Chapter 1 students. We will be reporting the results of this study in the annual reports to Congress on the implementation of P.L. 94-142.

EXCELLENCE AND EQUITY

Question: It has been argued in a recent report entitled "Barriers to Excellence: Our Children at Risk," that the recent national focus on raising the level of "excellence" in our schools has distracted attention from the needs of the educationally disadvantaged, placing these children even more at risk than in the recent past. How does your budget reflect a renewed commitment to support both "excellence" and equity in our schools?

Answer: We disagree with the premise that educationally disadvantaged children are being ignored because of any emphasis on educational excellence. Excellence and equity cannot be separated. Equity in our schools cannot be achieved until all children, including those who are educationally disadvantaged, have access to excellence in their education.

Our budget request of $3.6 billion for Chapter 1 accounts for almost 24 percent of the Department's budget and attests to our continued commitment to both equity and excellence in our schools. Within this request we will also continue our efforts to improve

Chapter 1 services by identifying projects that are successful and disseminating information about those projects to other Chapter 1 grantees.

CHILDREN ELIGIBLE FOR CHAPTER 1

Question: The report recommends that Chapter 1 funds be increased to serve all eligible children. What proportion of eligible children are now served under Chapter 1? (We are advised it's less than 50 percent.)

Answer: There are no exact figures available on the number of students eligible for Chapter 1 services. The program is designed to serve children who are educationally disadvantaged and who reside in low-income areas. School districts ultimately determine who is educationally disadvantaged. The selection process is based on an assessment of educational needs done by the individual school district.

We know that for the 1984-85 school year almost eight million children from low-income families were counted for allocation purposes. Not all of these children are educationally disadvantaged. However, if we assume that 75 percent of these children are educationally disadvantaged, then the number of eligible chidren would be around six million.

There is also a significant number of children who are not poor but would be considered educationally disadvantaged. We estimate that probably 8.8 million or 20 percent of the students enrolled in elementary and secondary schools nationally are educationally disadvantaged. Many, but not all, of these children are from low-income families. If we assume that 75 percent of these children live in low-income areas that receive Chapter 1 assistance, then the number of eligible children would be around 6.6 million.

Under either assumption we estimate that the 4.7 million children served by Chapter 1 represents between 70 and 78 percent of the eligible population.

COST EFFECTIVE PROGRAMS

Question: You maintain that school districts could do more to serve Chapter 1 students with less money than they are now spending. Isn't it the case that the amount they spend per child is the amount they feel is needed to provide the highest quality program possible?

Answer: We believe there is always room to provide more cost effective ways to deliver Chapter 1 services at the local level. The Department has identified a number of highly successful projects through the National Diffusion Network (NDN) process and the Secretary's Initiative to Improve the Quality of Chapter 1 projects. Many of these projects have per student costs that are below the national average of $674. Information on those projects which have received NDN approval are made available in a publication entitled Educational Programs That Work. Information about successful Chapter 1 projects that have been nominated and selected as part of the Secretary's Initiative will be disseminated nationally this Fall in a resource book. By making this information available, we hope to encourage school districts to examine carefully their own practices and where appropriate apply these findings on exemplary projects to their individual situations.

EXEMPLARY PROJECTS

Question: Aren't the exemplary low cost Chapter 1 programs you cite primarily located in rural and small towns serving a relatively few number of children?

Answer: No, in our recent effort to identify unusually successful Chapter 1 projects, we selected 118 projects from across the country. Of the 118, 26 reported per pupil expenditures of under $400--well below the national average. Of the 26 projects, nine are located in urban areas, four are in suburban areas, seven are in rural areas, four are in small towns, and two serve children in a variety of locations.

CHAPTER 1 VOUCHERS

Question: According to your justification, the Administration intends tc propose voluntary voucherization of the Chapter 1 (compensatory education for the disadvantaged) program, whereby parents of Chapter 1 students could use vouchers to send their children to the school of their choice. Albert Shanker, President of the American Federal of Teachers (AFT), warns that if such a proposal were implemented, many public schools would be turned into "charity wards" for "private school rejects", left with those students who are hardest to educate and with the most severe discipline problems. Do you share such concerns? What information do you have that refutes this conclusion that certain schools will not become dumping grounds for those difficult to educate?

Answer: We do not agree with Mr. Shanker's speculation. Although the details of the Chapter 1 voucher proposal are still under discussion within the Department, any proposal that is submitted would provide States and school districts with the option of providing Chapter 1 services through a voucher mechanism. Moreover, in making a choice, parents could enroll their children in another public school that meets their needs rather than a private school. Thus we do not believe such a proposal would turn many public schools into "charity wards" for "private school rejects".

Such a voucher proposal would also introduce more flexibility at the local level in providing services to educationally disadvantaged children and provide parents with more choice in selecting an education program that best meets the needs of their children.

CHAPTER 1 HANDICAPPED PROGRAM

Question: For the Chapter 1 State agency handicapped program you are proposing a freeze level "to help control the Federal deficit." According to your own documents, a freeze would actually be a reduction of $6.9 million due to inflation. Since 1979, the number of children served under this program has increased by 20 percent. How many children are currently being served by the Chapter 1 State agency program for the handicapped? How many fewer would be served based upon your "freeze" proposal?

Answer: For the 1984-85 school year (the last year for which actual data were available at the time the budget justification was written) 247,119 children were counted for allocation purposes and served by the program. Based on that figure we projected that the same number would be served for the 1985-86 and the 1986-87 school years.

Subsequent to transmittal of the budget justification, we received actual data on the number of handicapped children counted (and therefore required to be served) for the 1985-86 school year. That figure is 249,537. Thus, at the 1986 request level we would now estimate, based on the latest 1985-86 data, that the same number of children would be served. The Federal contribution per child would now be $602 for both 1985 and 1986 instead of $608 as shown in our earlier budget justification.

CHAPTER 1 MIGRANT EDUCATION

Question: Your proposal for the Chapter 1 State agency migrant program would reduce the appropriation by $41.5 million below the fiscal year 1985 level. You would do this by reducing the number of years a "formerly migrant" student would be eligible to receive funds. You maintain that such children would be served by the regular Chapter 1 program. How can you assert that migrant children will be served under the regular Chapter 1 program when in reality Chapter 1 funds go into urban areas? In what parts of the country -- rural or urban -- are migrant children primarily located?

Answer: Most migrant students are located in rural areas. However, almost 14,000, 90 percent of the country's school districts receive Chapter 1 funding. About 2,300 districts have migrant Chapter 1 Education projects. Thus, the likelihood of a formerly migrant student being located in a school district that participates in the Chapter 1 LEA Grant program is quite high.

Question: We have already established that the regular Chapter 1 program serves less than 50 percent of eligible youngsters. On what basis do you assume that migrant children will also be served under this program if the migrant program were reduced?

Answer: We do not agree that the Chapter 1 LEA Grant program serves less than 50 percent of eligible youngsters.

There are no exact figures available on the number of students eligible for services under the Chapter 1 LEA Grant program. The program is designed to serve children who are educationally disadvantaged and who reside in low-income areas. Individual school districts ultimately determine who is educationally disadvantaged based on an assessment of educational needs. Based on available data, we would estimate that the 4.7 million children served by Chapter 1 represents between 70 and 78 percent of the eligible population.

Because about 90 percent of the country's school districts participate in the Chapter 1 LEA Grant program, we believe that the likelihood is high that most formerly migrant students who no longer qualify for the Chapter 1 migrant program would be served by Chapter 1 programs operated by the school district.

Question: How many fewer children would be served under your proposal to reduce migrant education? Why did you not request a corresponding increase in the regular Chapter 1 program to serve these migrant children who would not be served by the migrant education program?

Answer: An estimated 66,800 fewer children would be eligible for the program as a result of the proposed legislative change.

We froze the 1986 request for Chapter 1 LEA Grants at its 1985 level because of the urgent need to curtail expenditures and control the Federal deficit. This request level would maintain the Administration's commitment to helping States and localities meet the special education needs of educationally disadvantaged children.

MIGRANT COORDINATION ACTIVITIES

Question: According to your justifications, the Department of Education is proposing legislation to eliminate the $6,000,000 minimum set-aside for migrant program coordination to "give the Department needed flexibility in allocating resources between direct services and coordination activities." Why does the Department need this flexibility?

Answer: The legislative proposal was made in concert with our budget request of $5,000,000 for migrant coordination activities. The existing statute requires that the Department set aside at least $6,000,000 of the Chapter 1 Migrant Education appropriation for coordination activities regardless of the size of the total appropriation. This reduction in migrant coordination activities was part of the overall decrease for Migrant Education. We believe that the Department needs latitude in assigning priorities on whether to provide direct services to migrant children through the State grant program or to support less essential coordination activities. The current law does not allow this. Within the migrant coordination activity itself, another choice had to be made between funding the Migrant Student Record Transfer System (MSRTS), which provides the Department with data needed to allocate funds and to provide local educational agencies with a readily accessible source of school and health records on migrant students who moved from district to district, or supporting other less important coordination activities which States already carry out as a condition for receiving migrant State grant funds.

Question: Would the Department continue to support any coordination activities other than the Migrant Student Record Transfer System?

Answer: The Department would not support inter- and intra-State coordination projects as it has in previous years. The law and regulations already require that States take steps to ensure coordination of migrant education services with each other in order to receive funding under the State grant program. Thus, the kind of coordination activities encouraged by the discretionary inter-intra-State coordination projects already takes place in the State's operation of the Chapter 1 Migrant Education program.

Question: If more funds are needed for direct services, why does the Department not request them?

Answer: We believe that the funds requested for direct services are adequate to meet the needs of children who actually migrate. Given the program's present need for coordinating activities, we believe that the statutory $6,000,000 minimum for that activity is too large and requested $5,000,000 instead.

CHAPTER 1 NEGLECTED AND DELINQUENT PROGRAM

Question: Is there any way of knowing whether Chapter 1 funds for neglected and delinquent children in institutions are at all beneficial in raising reading and math levels?

Answer: State agencies are required to evaluate their programs for neglected or delinquent children at least every two years. The results of these independent evaluations have shown that the programs are generally effective despite the difficulty of assessing impact where there is a high turnover due to a short average length of stay.

The latest data from a national evaluation of this program are from the mid 1970s and have little current application. Approximately $56,000 has been budgeted by the Department in fiscal year 1985 to update information on the operation of the Chapter 1 Neglected and Delinquent program.

Question: During the past year, how many of the programs receiving neglected and delinquent funds were given an on-site review?

Answer: Thus far in fiscal year 1985, 18 on-site reviews of Chapter 1 programs for neglected or delinquent children in State-operated or supported schools have been completed. An additional 12 reviews will be conducted before September 30.

Question: Who conducted such reviews? What problems were noted?

Answer: Federal education program specialists from the Compensatory Education Programs office in the Office of Elementary and Secondary Education made the on-site visits.

The most common weakness cited by the on-site reviews had to do with documenting average daily attendance in organized programs of instruction in State-operated or -supported schools. In some cases the average daily attendance data for purposes of the Chapter 1 allocation formula could not be verified. Evaluation also continues to be a problem because of the transient character of the population. However, the Technical Assistance Centers have developed an Evaluator's Reference for Chapter 1 Neglected or Delinquent Youth Programs, which many Neglected and Delinquent projects have found to be an increasingly useful resource in evaluating program effectiveness. Finally, some States were found to monitor their programs infrequently, or not at all. These States have been notified and follow-up visits have been made to ensure that the problem has been corrected.

Question: What does the Department plan to do to increase the effectiveness of this program?

Answer: A handbook for evaluating this program was prepared by the Chapter 1 Technical Assistance Centers (TACs) and distributed widely in the spring of 1983. The TACs are also available to provide assistance in evaluation and program improvement to State agencies upon request.

In addition, three Chapter 1 projects for neglected and delinquent children have recently been given national recognition as part of the Secretary's initiative to identify successful Chapter 1 projects. These projects will be included in a resource book that will be disseminated nationally this fall.

CHAPTER 1, MIGRANT EDUCATION

Question: What is the school drop out rate for migrant students?

Answer: According to the Migrant Student Record Transfer System, the current drop out rate is 77 percent.

HIGH SCHOOL EQUIVALENCY AND COLLEGE ASSISTANCE MIGRANT PROGRAM

Question: How successful are the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP) in encouraging migrant students to obtain a high school diploma and attend college?

Answer: The last national evaluation of HEP and CAMP was completed by Clarke, Phipps, Clark and Harris, Inc., in June of 1980. The study found that approximately two-thirds of the HEP participants in 1979 earned their high school equivalency certificates, and 78 percent were placed in jobs or enrolled in postsecondary or other education programs. For CAMP, over 90 percent of its participants completed their first year of college. However, these findings must be tempered by the knowledge that these two programs are extremely expensive ($2,350 per student in 1984), serve a limited number of students (3,510 participants in 1984), and largely duplicate services provided by other Federal programs at a much lower cost per student.

CHAPTER 1 PARENT INVOLVEMENT

Question: This Administration maintains that parental involvement is essential to effective schooling. No one could argue with that. In 1981, the Chapter 1 (Compensatory Education Program for the Disadvantaged) authorization changed from mandatory to non-mandatory, the provision that Parent Advisory Councils be established. Has parental involvement in Chapter 1 programs declined as a result of the change in the law?

Answer: Under Chapter 1, parental involvement remains a high priority. Chapter 1 requires that local educational agencies (LEAs) design and implement the Chapter 1 program in consultation with parents of the children being served, but unlike Title I, it does not require that they establish parent advisory councils to meet this requirement. We do not know whether that change has caused a decline in parent involvement. This will be one of the topics addressed in the congressionally mandated Chapter 1 study. However, from on-site reviews, we have observed that many LEAs have retained their parent advisory councils under Chapter 1. Federal guidelines for the program provide that the councils are an acceptable and appropriate way of meeting the parental consultation requirement in the law.

Question: What plans does the Department have to assess the impact of this change on the level of parental involvement?

Answer: As part of the national assessment of Chapter 1, required by Public Law 98-211, NIE will examine the administration of the program at the Federal, State, and local levels. This study will examine how the change from Title I to Chapter 1 has affected certain aspects of the program, such as interactions between administrators and parents. The national study will also look into topics such as how local educational agencies design programs and allocate resources, and how parents are involved in such decisions.

Question: Does the Department support a reinstatement of Chapter 1 parent advisory councils as mandatory? Why had this been a mandatory provision? Wasn't it to encourage school districts to involve parents of low-income students in their children's education?

Answer: The Department supports the notion of parental involvement in Chapter 1. We do not believe that such a provision must necessarily include the formation of a parent advisory council, although such a vehicle is acceptable. Indeed, it was never the intent of the Administration or the law itself to eliminate or reduce parental involvement and consultation. The current Chapter 1 statute still requires that local school districts involve parents in the design and operation of their Chapter 1 projects, but eliminates the former Title I requirement that they establish parent advisory councils to accomplish this. The Department has supported this provision because it provides local school districts with more flexibility in involving parents in their Chapter 1 projects. According to the District Practices Study, local Title I directors ranked the establishment and operation of parental advisory councils as the most burdensome of Title I's legislative requirements. More than half of the directors interviewed in the study reported that there were problems in obtaining parents to volunteer as council members and getting parents to attend meetings.

We are, however, very concerned about this issue and share the concern that active parent involvement be maintained. Parental participation will be one of the topics addressed in the congressionally mandated Chapter 1 study. In the meantime, the Department is looking at ways to encourage greater parental involvement in Chapter 1 through the Secretary's Initiative. We are also preparing legislation authorizing a Chapter 1 voucher program that would facilitate parent involvement by allowing parents a choice in selecting the school and educational program that best meet the needs of their children.

COLLEGE ASSISTANCE MIGRANT PROGRAM

Question: Do students served by the College Assistance Migrant Program (CAMP) receive other Federal student financial assistance? How many also receive Pell Grants or Guaranteed Student Loans? If the College Assistance Migrant Program were terminated, as you propose, would these students receive more assistance under other Federal programs?

Answer: Yes, students who participate in the College Assistance Migrant program (CAMP) may qualify for aid under the Federally-supported student aid programs if they can demonstrate financial need (the differences between a student's financial resources and his educational costs) to attend a postsecondary institution. The Department, however, does not collect data on the number of students who participate in the CAMP program and who also receive Pell Grants or Guaranteed Student Loans (GSL). If the CAMP program were terminated, those students' educational costs would probably increase and they would, therefore, qualify for additional aid under the Department's other financial aid programs. It would depend on their revised educational costs measured against their financial resources.

Some of the services provided under the CAMP program are similar to those provided under the Special Services for Disadvantaged Students program. Both programs are designed to help students from disadvantaged backgrounds make the transition from secondary to postsecondary education and to complete college education successfully. Both programs provide tutoring and counseling services and assist students in obtaining grants, loans, and work-study arrangements to cover the cost of completing college. If the CAMP program were terminated, students from migrant families would probably participate more actively in the Special Services program.

Question: How would the changes you propose in Federal student financial assistance programs affect migrant students? If they were enacted, would any migrant students be able to attend private colleges?

Answer: The changes proposed in Federal student financial assistance programs are primarily designed to preserve student aid funds for the lowest income students. Since students from migrant families would tend to be from lower income families, they would probably not be adversely affected by the proposed changes and in some cases might qualify for more aid. For example, in the Pell Grant program students from the lowest income families would qualify for higher awards under the FY 1986 proposals -- the maximum award would increase from the current $1,900 to $2,100 in 1986 -- while the proposals to cap federally-subsidized aid at $4,000 and to restrict aid to students whose incomes were $25,000 or less would have minimal impact.

Students from migrant families could still attend a private college under the proposed FY 1986 student aid proposals. Although there is a proposed $4,000 cap on total federally subsidized aid in

FY 1986, additional resources of $4,000 under the proposed PLUS loan program would make a total of $8,000 available in student financial aid. With this amount of aid available, most students including students from migrant families could choose to attend most private schools.

HIGH SCHOOL EQUIVALENCY PROGRAM

Question: In your justifications you state that the Migrant High School Equivalency Program (HEP) can be terminated since students can receive similar services under the Adult Education Act. What programs serving migrant students currently are being supported by the Adult Education Act?

Answer: The Adult Education Act program does not specifically serve migrant students. The point here, however, is that the purpose of both HEP and the Adult Education Act is to assist students beyond the traditional high school age to develop basic academic skills and to earn a high school diploma so that they can gain employment or continue their education or training at the postsecondary level. The 2,800 students served by HEP could participate in Federally supported, State-operated adult education programs to achieve the same goal at a much lower cost per student.

Question: Do migrant students in these programs obtain high school diplomas or certificates?

Answer: There are no specific data concerning the number of migrant students who receive high school diplomas under the Adult Education Act. However, program data show that 30 percent of the roughly 2.5 million Adult Education Act participants receive instruction leading to high school equivalency. In 1984, about 281,000 of these participants completed high school or received a high school equivalency certificate.

Question: How likely is it that current Federal adult education programs would be modified to expand program participation in light of your fiscal year 1986 request that this program not receive additional funds?

Answer: The Adult Education Act program would not have to be modified since its purpose and goals are similar to HEP. A migrant student would simply have to avail himself of the opportunity to participate in Federally supported adult education classes offered at the local level.

CHAPTER 1 NEGLECTED AND DELINQUENT PROGRAM

Question: Is there compulsory attendance for education programs supported by neglected and delinquent funds? Do any eligible students without high school diplomas not attend?

Answer: Chapter 1 provides funds for supplementary educational services for neglected and delinquent children who are in State-operated or supported schools. The State agency directly responsible for providing free public education for the neglected or delinquent children determines the special educational needs of the children and plans Chapter 1 programs to meet those needs. The children with the most serious educational needs must be among the children who are selected to participate in the Chapter 1 programs.

In these State schools, we would assume that the selected children are required to attend the Chapter 1 programs. However, that requirement would be one imposed by the institution. Neither the Federal statute nor regulations require compulsory attendance.

No current data exist on the actual number of neglected and deliquent students served. Based on data used for the 1984-85 allocation of Chapter 1 Neglected and Delinquent funds, about 52,000 were counted for allocation purposes and considered eligible. However, each institution makes its own decisions on the type of services offered and who is selected to receive those services. Thus we cannot provide an accurate figure of how many counted are actually served or determine whether eligible students without high school diplomas do not participate in the program.

NEGLECTED AND DELINQUENT CHILDREN

Question: Please describe the kinds of educational services supported by neglected and delinquent funds. Are all these services supplemental in nature, or are some essentially the same as students in regular school might receive?

Answer: Most of the services focus on providing remedial instruction in basic academic skills. Roughly 62 percent of the participating students receive reading instruction while 52 percent receive remedial mathematics instruction. In addition to these two major academic areas, neglected and delinquent students receive instruction in other areas such as language arts (22 percent), vocational education (9 percent), and English for limited English proficient students (6 percent). The States also use program funds for other activities such as guidance and counseling, psychological services, and preparation of students for release from the institution.

In all cases the services provided by the Chapter 1 neglected and delinquent funds supplement the educational program provided by the school or institution. These supplemental services might be the same as students in regular schools receive. For example, in the State-funded education program in an adult correctional institution, only a vocational program might be provided. A Chapter 1 reading program could be provided to supplement the vocational program.

HIGH SCHOOL EQUIVALENCY PROGRAM

Question: The cost per student served under the Migrant High School Equivalency Program (HEP) varies considerably from school to school. What accounts for these disparities?

Answer: The disparities in the cost per student from school to school are due to a number of variables such as differences in tuition and support services, number of students served, and whether the programs are commuter programs or residential programs.

Question: Is there anything the higher cost schools could do to reduce program costs?

Answer: We try to control high costs in the grant-making process by proposing budget modifications in a grantee's project proposal. However, a program such as HEP tends to have very high costs because most projects are residential. Participants live on a college campus and have access to campus facilities. As a result, these projects tend to be far more expensive than a local adult education program supported by Federal funds that offer similar instructional services at a local school or community center.

Question: Does the Department of Education take into consideration the cost per student in determining which projects to support?

Answer: Yes, to the extent we can. Grantees are funded on the basis of rankings established in a procedure that standardizes the scores awarded by panels of readers. One of the criteria used by program staff in recommending a project for funding is whether a project's cost seems reasonable for the type of services provided. Once a project is selected, this assessment is considered in the final grant negotiating process to determine the amount of the actual grant.

MANDATED CHAPTER 1 ASSESSMENT

Question: You estimate that the total cost of the mandated evaluation of Chapter 1 will be almost $7.7 million over 4 years. Could this study have been completed at less cost and still meet the legislative mandate? What sort of information on the Chapter 1 program will this expensive study provide that is not already available from the numerous previous studies of this program? To what extent will this study generate new information, as opposed to a reanalysis of existing data on program effects?

Answer: The legislative mandate for this study, contained in Section 22 of P.L. 98-211, the ECIA Technical Amendments of 1983, is quite specific. The statute lists seven topics that the study must address and requires the Department's National Institute of Education (NIE) to consult with Congress in the study's planning and conduct. In meetings held last year, Congress indicated a particular interest in comparing Chapter 1 with its predecessor, Title I. Based on these meetings and the mandate contained in the law, NIE submitted a study plan to Congress in November 1984 which describes the variety of studies and analyses that would be undertaken. Because no national studies of Chapter 1 have been conducted, most of the funds for the study will be used to gather and analyze new data about Chapter 1. A much smaller amount will be used to reanalyze existing data relating to Title I so that comparisons can be made between the two programs.

The study's design is cost efficient and will produce quality information. Given the general study tasks established in the law, we believe that the study's $7.7 million cost is quite reasonable for evaluating a program that will receive $12.1 billion between 1984 and 1986.

CHAPTER 1 MIGRANT EDUCATION

Question: Why does the Administration keep asking to reduce the number of years that migrant children may be served after they are settled? You are asking this to be reduced from five years to two years. No one really knows except the States how long it takes to remedy the adverse effects of migrancy on normal education development. Also Regular Chapter 1 children may be served all 12 years of their schooling.

Answer: The legislative proposal and our 1986 budget request reflect our belief that Chapter 1 Migrant Education funds should be focused on children whose education has most recently been affected by their migrant status. Program data from the 1984-85 school year show that slightly over one-quarter of the migrant children counted as eligible have not moved during the past three years. More recent data for the 1985-86 school year show that almost 43 percent of the children counted have not moved in the past three years. These data raise serious questions about whether children who have ceased migrating have a legitimate claim for services provided under this program and whether limited Chapter 1 migrant funds should be spent on these children. Those formerly migrant children who would no longer be eligible as a result of the legislative change, but remain educationally disadvantaged, can and should be served under the regular Chapter 1 Grants to local school districts program.

The Chapter 1 LEA Grant program is different from the migrant education program because individual school districts select educationally disadvantaged children for Chapter 1 participation based on an assessment of educational needs and do not have to determine whether a child has migrated within the past five years. Thus there is no time limitation on how long a child could be served under the Chapter 1 LEA program.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

CHAPTER 1 EVALUATIONS

Question: I notice on page 20 of the justifications that students receiving remedial instruction in mathematics often regress when Chapter 1 support is removed. This is a continuing problem, based on data provided last year by the Department. I'd hate to think the billion of Federal dollars spent is a waste of money in this regard. Can't anything be done at the Federal level to address this issue?

Answer: This is a complex problem area for which research only suggests answers and provides no firm conclusions.

Children retain best what they learn early and practice often. Reading falls into this area. Reading skills tend to be sequential and are reinforced both in the Chapter 1 program and the regular classroom. Because of this factor, Chapter 1 benefits in reading tend to be sustained.

In mathematics, however, there are indications that concepts are not as sequential or as immediately transferable. Therefore, while children tend to learn the specific concepts being taught in a Chapter 1 mathematics class, when they return to the regular classroom they are frequently confronted not with expanding the skills they have learned, but with learning new concepts which is a much more difficult transition.

It should be noted that the regression referred to in the question means only a slight loss of relative standing from the end-point of previous Chapter 1 instruction and not a return to where the students were when they began in Chapter 1. There is clear evidence that the children do continue to learn and make overall progress despite small setbacks.

CHAPTER 1 MIGRANT EDUCATION

Question: The administration's proposed policy concerning migrant education is to focus next year's funds more efficiently on the truly migratory children. How will this be accomplished? Would the current allocation per child be increased?

Answer: The legislative proposal would focus funds on those currently migratory children who have moved within the past year and those formerly migratory children who have remained in the same school district for only one or two years. We believe strongly that children who have not moved in the last three years should not be considered migratory for purposes of this program. The limited Federal migrant education funds which are available should be targeted on those children who have actually migrated most recently. Those formerly migrant students who would no longer qualify under the program, but remain educationally disadvantaged, can and should be served by the Chapter 1 Grants to Local Educational Agencies.

Under the 1986 request, the projected Federal contribution of $639 per child for those remaining in the program would be slightly more than the $632 per child figure for 1985.

CHAPTER 1 SERVICES FOR JUNIOR AND SENIOR HIGH SCHOOL STUDENTS

Question: The National Commission on Excellence in Education reported that roughly 13 percent of the nation's 17 year olds are functionally illiterate. It seems to me that the Chapter 1 program would be ideally suited to reach this population. How does your budget address this?

Answer: We would agree, and indeed the Chapter 1 LEA Grant program currently serves a significant number of junior and senior high school students. Participation data from the 1982-83 school year show that almost 995,000, or 22 percent, of the students served by the program are in grades 7 through 12.

Chapter 1 remains a high priority within the Department. Our 1986 budget request of over $3.6 billion accounts for almost 24 percent of the Department's total proposed budget and represents its single largest activity. The request also recognizes the urgent need to curtail expenditures and control the Federal deficit while maintaining the Administration's commitment to helping States and localities meet the special education needs of socially and economically disadvantaged children.

We believe that our budget request allows local school districts to provide junior and senior high students with compensatory education services if they choose. Neither our budget request, nor does the law or regulations stipulate specifically how local school districts should allocate Chapter 1 resources between students in elementary or secondary school. Such a choice should remain a local decision and not be one imposed by the Federal Government.

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EDUCATION BLOCK GRANT SPECIAL PROGRAMS

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

LOIS A. BOWMAN, DEPUTY ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

LAWRENCE L. BROWN III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY, AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

CAROL CICHOWSKI, DIRECTOR, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Now, Mr. Davenport, why don't you proceed as to the "Education block grant special programs" account.

Mr. DAVENPORT. Mr. Chairman, to my far right is Carol Cichowski, Director of the Division of Special Education, Rehabilitation and Research Analysis, Office of Planning, Budget and Evaluation. Next to her is Lois Bowman, Deputy Assistant Secretary for Elementary and Secondary Education. On my left is Mr. Brown who was with us in our last hearing.

SUMMARY STATEMENT

Mr. Chairman and members of the committee:

We appreciate this opportunity to appear before you to present the fiscal year 1986 budget request for the special programs account. The request for this account totals $647.9 million, a decrease of $30.2 million from the 1985 revised level.

This request recognizes the urgent need to curtail expenditures and control the Federal deficit, while maintaining the Federal Government's commitment to helping States and localities improve the quality of education.

At our 1986 request level, we would continue chapter 2 of the Education Consolidation and Improvement Act and the new Science and Mathematics Education Program at their 1985 appropriation levels. In addition, we would, over the next 2 years, phaseout funding for training and advisory services under title IV of the Civil Rights Act.

Our budget also proposes termination of direct Federal support for a number of categorical programs that are eligible for funding from other sources or that do not reflect an appropriate Federal role in education.

The President is also proposing a rescission of $80 million appropriated in 1985.

My colleagues and I will be happy to respond to any questions.

PREPARED STATEMENT

Senator WEICKER. Thank you. Before we begin with the questions, we will insert your entire statement in the record.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

We appreciate this opportunity to appear before you to present the fiscal year 1986 budget request for the Special Programs account. The request for this account totals $647.9 million, a decrease of $30.2 million from the 1985 revised level. This request recognizes the urgent need to curtail expenditures and control the Federal deficit while maintaining the Federal Government's commitment to helping States and localities improve the quality of education.

At our 1986 request level, we would continue Chapter 2 of the Education Consolidation and Improvement Act and the new Science and Mathematics Education program at their 1985 appropriation levels. In addition we would, over the next two years, phase out funding for Training and Advisory Services under Title IV of the Civil Rights Act. Our budget also proposes termination of direct Federal support for a number of categorical programs that are eligible for funding from other sources or that do not reflect an appropriate Federal role in education.

Chapter 2 of the Education Consolidation and Improvement Act

Our request for Chapter 2 of the ECIA totals $531.9 million. Most of these funds flow directly to State governments and local school districts where they may be used to respond directly to State and local needs. At the same time, Chapter 2 provides for a set-aside of discretionary funds to be used by the Secretary to address broad national priorities.

State Block Grants

The 1986 budget request for State Block Grants proposes to maintain funds at the 1985 level of $500 million. This program provides funds on a formula basis to States to improve the quality of elementary and secondary education for children in public and private schools. Its focus is upon general excellence in education, rather than federally prescribed categorical activities. It assumes that States and local school districts have a better understanding of the needs of their children than Federal administrators, and that providing States with flexibility in the use of funds will result in more effective expenditures of those funds. Because of these factors and because it is an ideal vehicle for State and local implementation of reforms such as those recommended by the National Commission on Excellence in Education and other groups, the State Block Grant program continues to be a high administration priority.

At the requested level, State governments should be able to continue or institutionalize initiatives begun in 1984 and 1985. Local school officials will also have the resources available to continue or initiate needed reforms at the local level. These could include, among other activities, master teacher programs, changes in the length of the school day, reform of high school graduation requirements, and inservice training for teachers.

Secretary's Discretionary Fund

For the Secretary's Discretionary Fund we are requesting $31.9 million, the same level as in 1985. The Department is also proposing an amendment to the authorizing statute to eliminate mandatory set-asides for the Inexpensive Book Distribution, Arts in Education, Alcohol and Drug Abuse Education, and Law-Related Education programs. Although the Department plans to fund activities in these areas, this amendment will provide greater flexibility for the Secretary to focus resources on unmet national needs, to encourage educational reform, and to respond in a timely manner to issues identified by research. Funds will also be available for previously funded activities such as the National Diffusion Network and career ladder/master teacher projects as well as for the congressionally mandated study of the Chapter 1 program.

Science and Mathematics Education

We are requesting $100 million for the Science and Mathematics Education program, the same level as in 1985. This program, authorized by Title II of the Education for Economic Security Act, makes funds available to State and local educational agencies and to institutions of higher education to strengthen the skills of teachers and improve instruction in mathematics, science, computer learning, and foreign languages. The program includes State grants and a set-aside of discretionary funds to be used by the Secretary for programs of national significance.

State Grants

For the Science and Mathematics State Grant program, we are requesting $90.1 million, the same level as in 1985. Awards for this program will be made no later than July 1, 1985. Proposed regulations were published in the Federal Register on November 20, 1984. Final regulations will be published after all comments on the proposed rule have been carefully considered. Seventy percent of the funds available to the States will be used to support elementary and secondary programs, and the remaining 30 percent will support higher education programs. The grants to each State will range from a minimum of $445,500 to a maximum of $8.6 million. This distribution of funds is based on the number of children ages 5 to 17 in each State. As required by the statute, no State will receive less than one-half of one percent of the funds available to the States.

Secretary's Discretionary Fund

The 1986 budget request for the Science and Mathematics Secretary's Discretionary Fund is $9.9 million, the same as the 1985 appropriation level. As required by current law, 25 percent of the 1986 funds, or $2.5 million, will be used for projects at institutions of higher education to improve and expand instructions in critical foreign languages. Funds will also be used to continue the mathematics and science educational television programs supported in 1985, including 3-2-1 CONTACT and Voyage of the Mimi. The remaining funds will be used for activities such as evaluation and research carried out by the National Institute of Education and nationally significant project grants in the areas of science, mathematics, computer learning, and instruction in critical foreign langauges. During 1985 and 1986, the Department, through the National Institute of Education, will be evaluating the implementation of the Science and Mathematics program, conducting research on teacher training methods, and conducting a policy analysis of the status of science and mathematics education and the need for Federal legislation in this area.

Training and Advisory Services - Title IV of the Civil Rights Act

For Title IV of the Civil Rights Act, $16 million is proposed for Training and Advisory Services as the first stage of a planned phase-out of the program over the next two years. Under this program, grants are awarded to State educational agencies and to regional desegregation assistance centers to enable them to provide technical assistance and training to school districts that are desegregating on the basis of race, sex, or national origin. The Title IV program has been operating for 20 years with total appropriations of almost $500 million. Much of the effort has been focused on developing the capacities of SEAs to provide desegregation assistance to their school districts. The phase-out of Federal support over the next two years will provide a transition period for States to assume responsibility in this area. With the funds requested for 1986, it is estimated that the same number of SEA grants as in 1985 would be continued, but at reduced levels. The total number of desegregation assistance centers would be reduced. The Department will use information from a descriptive analysis study, being conducted by Advanced Technology, Inc., in determining the number, types, and regional service areas of the centers.

Terminations

We are proposing no funds for several categorical programs that still remain in the Special Programs account in 1986. These are the new Excellence in Education and Magnet Schools Assistance programs, Women's Educational Equity, Follow Through, General Assistance to the Virgin Islands, Territorial Teacher Training, and Ellender Fellowships. The President's budget proposes termination of these programs because they duplicate other Department activities or because they address narrow federally perceived priorities which may not be relevant to State and local needs. Furthermore, these programs impose costly administrative and paperwork burdens on States and local schools. School officials may use their Block Grant funds to support the activities authorized by these programs if they meet State and local priorities.

My colleagues and I will be happy to respond to any questions you may have.

Special Programs

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Improving school programs:					
(a) State block grants..........	$450,655	$685,655	$500,000	$500,000	$500,000
(b) Secretary's discretionary fund......................	28,765	43,224	31,909	31,909	31,909
Subtotal............	479,420	728,879	531,909	531,909	531,909
2. Science and mathematics education:					
(a) State grants...............	---		90,100	90,100	90,100
(b) Secretary's discretionary fund......................	---		9,900	9,900	9,900
Subtotal............	---	50,000	100,000	100,000	100,000
3. Excellence in education........	---	---	5,000	---	---
4. Magnet schools assistance......	---	---	75,000	---	---
5. Women's educational equity.....	5,760	---	6,000	6,000	---
6. Training and advisory services.	24,000	---	24,000	24,000	16,000
7. General assistance to the Virgin Islands................	1,920	---	2,700	2,700	---
8. Territorial teacher training...	1,000	---	2,000	2,000	---
9. Ellender fellowships...........	1,500	---	1,500	1,500	---
10. Follow through.................	14,767	---	10,000	10,000	---
Total...............	528,367	778,879	758,109	678,109	647,909

FOLLOW THROUGH

Senator WEICKER. What do you mean, "do not reflect an appropriate Federal role?"

Mr. DAVENPORT. Basically, it means that if there was a Federal commitment at one point, it has been fulfilled.

Senator WEICKER. Can you give me an example of one that would fall into that category or that reasoning?

Mr. DAVENPORT. Follow Through, a program which has been in existence for a number of years, was started as a demonstration program and is still being funded today, would be one.

Mr. BROWN. That program, Mr. Chairman, was scheduled to be phased out last year, as you may recall. Congress had second thoughts about it and decided to phase it out over 2 years. Next year will be its last year.

All of the current participants in the program have been in the program since 1972, and hardly any change has occurred. Since these participants had fair warning in 1981 under the Reconciliation Act that the program was being phased out, we do not think they need 2 more years.

ASSISTANCE TO THE TERRITORIES

Senator WEICKER. What about some of the other items that you have here, territorial teacher training assistance, general assistance for the Virgin Islands?

Mr. DAVENPORT. Which category are you referring to?

Senator WEICKER. Line items 31950 and 32000.

Mr. DAVENPORT. Yes, sir, we are recommending all of those for termination.

Senator WEICKER. Why?

Mr. BROWN. Most of the activities in these small categorical programs are legitimate chapter 2 block grant activities. In many instances, these activities are being undertaken by districts and States using their block grant money.

Do you want me to pick some other programs and discuss what the rationales are for zeroing them out?

TRAINING AND ADVISORY SERVICES

Senator WEICKER. What about civil rights?

Mr. BROWN. Title IV is not a termination, it is a phaseout over 2 years. After 20 years of support and an expenditure of about $500 million, title IV has become a legitimate State responsibility.

Senator WEICKER. Civil rights is a State responsibility?

Mr. BROWN. Yes; it certainly is a State responsibility.

Senator WEICKER Somewhere, in the recesses of my mind, I sort of have the feeling that maybe the Federal role was required several years ago insofar as civil rights are concerned.

Mr. BROWN. Nobody is denying that it is also a Federal responsibility.

Senator WEICKER. The Federal responsibility is what finally had to come into play.

Mr. BROWN. I don't deny that.

Senator WEICKER. We are citing the gospel according to Orville Forbush, or something.

Mr. BROWN. The program is called civil rights training and advisory services—I am not sure that that is exactly what it is in the long run. We are talking about a program here. There is an issue as to whether or not it really achieves what its name suggests.

There are two kinds of grants that are made under this program. One goes to States, and States use these moneys to provide technical assistance to LEA's that are undergoing desegregation either because of court order or because of order by OCR. States also provide, in addition to technical assistance, assistance in interpretation of regulations which we believe is a responsibility of the Department's Office for Civil Rights.

At any rate, the funds have gone to the States for years to provide technical assistance services. These funds do not provide for civil rights in and of themselves, but provide support to States so that they can assist LEA's in dealing with civil rights problems. This is a legitimate State responsibility.

The other activity under this particular program is for desegregation assistance centers. There are about 40 desegregation assistance centers covering three areas—race, sex, and national origin. They are called regional desegregation assistance centers, but there are 40 of them. The Census Bureau only recognizes at most four regions. They, too, have been in existence for a long time, and it seemed to us, here again was another instance where a laudable and appropriate Federal program had gone on for enough years, and where we had another program under which these same activities could be conducted. We didn't feel we needed this special categorical program to conduct these activities.

Arkansas, Illinois, Maryland, Michigan, and Pennsylvania have used their chapter 2 block grant money to support these kinds of activities, and we would like more States to do so.

Senator WEICKER. You say that these programs have been in being for a long time, but unfortunately discrimination has been in being for a much longer time.

MAGNET SCHOOLS

Let me ask you one question before I get to my next observation. With respect to magnet schools, are you eliminating that program?

Mr. DAVENPORT. Yes, sir.

Mr. BROWN. We asked for a rescission. However, if by the 25th, Congress doesn't act favorably on our request, then we are going to fund it. We are prepared to administer this program in fiscal year 1985 if we must.

Senator WEICKER. What happened to magnet schools?

Mr. DAVENPORT. We believe that the magnet schools are rightfully a State and LEA responsibility, not a Federal responsibility.

Senator WEICKER. Every time I hear a spokesman for the administration, they are always talking about magnet schools, and we are not going to have busing. We are not going to pay attention to the courts, we are going to do it a different way with magnet schools.

I don't understand what the Federal role is. We are not going to involve ourselves anymore in court ordered remedies. What are we going to involve ourselves in to see that desegregation in terms of education takes place; just leave it to the States again?

Mr. DAVENPORT. Again, Mr. Chairman, the responsibility——

FEDERAL ROLE IN DESEGREGATION

Senator WEICKER. I want to know the Federal role in desegregation from this administration which you represent. What is the appropriate Federal role?

Mr. DAVENPORT. We have worked through the Office for Civil Rights, and have worked with various States and LEA's to ensure that discrimination does not occur. Where it does, we have taken appropriate action.

What you are referring to, though, is a different issue—who is going to decide in a district, may it be in Connecticut, California, or Michigan, what kind of educational program is going to be offered there and who is going to pay for that. If a school district decides that they want to create a magnet school, that is their responsibility just like English, chemistry, or science. It is the responsibility of the State and the LEA to decide how they are going to pay for that.

As you know, many States, including the State of California and others, have identified funds and are making those available to various school districts in their State. We don't believe that the Federal Government should pay for magnet schools. It is like any other educational program—if an LEA decides to offer shop, or English, that decision is being made by the superintendent and his or her school board. If they decide that they are going to offer Latin at a school, those are the kinds of decisions that have to be made there, too.

If they decide that they want to designate certain area schools as magnet schools, that decision should be—they are making all other educational decisions—made by the superintendent and their school board.

Senator WEICKER. What if they don't make it?

Mr. DAVENPORT. If they apply for these funds, the school board would make the decision to apply for the funds. On the one hand, if we are saying that they are going to apply to be magnet schools, which they would have to do, but that they are not going to implement magnet schools unless there are Federal dollars, I would say, Mr. Chairman, that there are school districts across the country where magnet schools exist today without $1 of Federal funds, and there will be more existing tomorrow as the school districts design their own educational programs.

Senator WEICKER. The justification document of the Department of Education, "The Magnet Schools Assistance Program authorizes grants to local education agencies for use in establishing and operating magnet schools that are part of the desegregation plan approved by a court or by the Department of Education's Office for Civil Rights."

I suppose what worries me is that apparently the Federal Government is not going to involve itself in the magnet school concept since the Department keeps filing amicus briefs disavowing any plans by courts vis-a-vis busing. All funding requests for various agencies dealing with civil rights, including the program here, title IV, are being phased out.

I repeat, and I will make a simple case, although I could go further than that. There would be no magnet schools, no active involvement in the legal process, overturned court ordered remedies, and the Civil Rights Program would also be zero funded. I would like to know what the Federal role is in terms of civil rights?

Mr. DAVENPORT. Mr. Chairman, as you read that statement, you mentioned OCR which is part of the Department of Education. OCR is addressing civil rights, as you read from our justification.

Again, as we have mentioned earlier, chapter 2 funds can be used for these activities. For example, you have States all the way from Alabama to Washington that are using part of their chapter 2 funds for desegregation assistance.

We are saying that if the States decide that they want to do a certain activity, they have funds available under chapter 2 to do it, and many States are using chapter 2 funds. I think that answers the question, Mr. Chairman.

Senator WEICKER. I don't think it does. It certainly is not your Department, Mr. Davenport, but I am going to tell you right now, I have never seen such a civil rights retreat in my life.

I watched, interestingly enough, the hearing on the local television last night about Prince Georges County that is having some sort of a brouhaha in the city of Bowie. I noticed everybody stepping up to bat saying, "We don't want any court ordered busing plan, but we want magnet schools." Everybody has another plan, and in the meantime the segregation and discrimination mounts.

What this indicates to me, as I said I am not laying it at your doorstep, this is the policy of the administration to, in effect, pull the Federal Government out of the business of civil rights. It is as simple as that. Nothing could have been clearer to me than it is the States' business, and it should be, I am not going to deny that, and it should be the local community's business. Unfortunately, history has shown us, they have not made it their business at the local level or at the State level, and that is why the Federal Government had to get in.

Now the Federal Government is getting out, and mark my words, you are going to end up where you were about 30 or 40 years ago. It will not take too long to do it. Everybody just can't wait to get back to where they were before.

Let's move on to something else, I don't think that it is going to do much good to belabor this.

GENERAL ASSISTANCE TO THE VIRGIN ISLANDS

Territorial teacher training and general assistance for the Virgin Islands, these are two small programs, but enormously important programs to the territories. Do we have any responsibility for the territories?

General assistance, I gather, gives them construction funds; is that right?

Ms. BOWMAN. Yes; and we believe they have completed a considerable amount of construction in the last few years.

Senator WEICKER. The Virgin Islands, do your know what the situation is down there?

Ms. BOWMAN. Yes.

Senator WEICKER. Do you know what the educational needs are in the Virgin Islands? Do you know what the employment situation is in the Virgin Islands? What the prospects are for additional employment?

Mr. DAVENPORT. We are talking about school construction, and in relation to school construction, we are saying that they have had sufficient funds over the years of this program's existence. I am not quite sure where that links into the unemployment issue there.

Senator WEICKER. If you don't know where education links into unemployment, my friend, we have a wide gulf between the two of us.

Mr. DAVENPORT. Mr. Chairman, we are talking about construction.

Senator WEICKER. It is all the same thing, whether it is construction, whether it is teacher salaries, whether there is money for the programs. Here is a territory that is our responsibility. A territory where the unemployment rates are exactly what they are in the inner-cities of the United States, around 40 percent or so.

With respect to the two biggest industries on the island, Hess has cut back to almost nothing, and Martin-Marietta, I believe, is leaving the island. There is nothing to go ahead and replace that. The highest percentage of employment down there is Government employment.

How am I going to turn this thing around? I don't know how I am going to turn it around except through education. Many Virgin Islanders have been left in the backwater, and maybe we can't do anything about that, but we certainly can do a lot about the young people who are growing up today.

These piddling amounts, to sweat out this money for migrants, the territories, the handicapped, the disabled, I just think that this is a travesty in terms of the billions that go unquestioned into the other parts of the budget, especially the military.

Mr. DAVENPORT. Mr. Chairman, under the Consolidation Grant Program, the territories can use available funds for exactly those kinds of activities. Under the Consolidation Grant Program, the Virgin Islands has chosen to consolidate funds from other programs—vocational education, chapter 1, and aid to the handicapped—under chapter 2 block grant authority. This provides them with a great deal of flexibility in the use of their resources.

CONSTRUCTION IN THE VIRGIN ISLANDS

Senator WEICKER. Can they use the block grant for construction?

Mr. BROWN. Under section 1003 of ESEA, they can request a waiver of the supplement provision so that chapter 2 funds could be substituted for their own educational resources. They could then use their unused resources to pay for construction costs..

I would like to add a few things to what Mr. Davenport said.

I did a little bit of research on this matter before we came because I know that general aid to the Virgin Islands is of great importance to you.

Senator WEICKER. It is, all the territories are. Let's understand also, I have very close associations to the Virgin Islands, both as to West Indies Laboratories down there, my own property in the Virgin Islands, and I have a chance to see what is going on. They are not constituents, so I can take a pretty objective point of view because they don't vote for me.

I will tell you, this is the great showcase of the Caribbean, and it is not much of a showcase when it comes to this area. Here we have this great Caribbean Basin Initiative, and we are going to go ahead and sort of dicker around with the price of rum, and that is the nature of the initiative. I am going to tell you, and I am very serious about this, gentlemen and ladies, what Mr. Castro puts his money into. He puts it in education, and he exports that education. He puts it into medicine, and he exports it in medicine now. That is what is going on in that part of the world.

If we don't choose to go ahead and compete, fine, but I have a feeling that that is going to be our undoing. Here we have something in our own backyard, one of our own territories, and we are confronted with an abysmal situation when it comes to education, both as to facilities and programs, and the result of whatever is going on in terms of those persons who sit around is no job opportunity.

So when I hear about Caribbean Basin Initiatives, I want to see the money go into this so that the people in that part of the world understand that a better quality of life is available through our democratic system, thank you very much, than through the communist system offered by Mr. Castro. When I see these cuts of a couple of million dollars, what we are going to have to pay for that in terms of trying to do catchup later on. This is my problem.

This is your budget, not mine. You just tell me about all of this zero funding. What are you accomplishing?

Mr. BROWN. Let me say something about this particular program. Most of this money has gone into construction, this we have agreed to. In testimony earlier this year, the Virgin Islands indicated that it would like, I believe, $5 million each year for the next 5 years, or $25 million. That, presumably, is what it would like for construction, and a little bit for chapter 1 activities.

In fact, when you look closely at the budget only about $428,000 a year—$2 million overall—is proposed for renovation and for construction. The rest, Senator, is for debt retirement.

If there is a construction need, it doesn't show up in the statistics either. Census statistics show that there has been a decline in capital outlays for education between 1970 and 1980—a decline from $664 per child in 1970 to $87 per child in 1980.

POPULATION INCREASE IN THE VIRGIN ISLANDS

Senator WEICKER. As I recall, there was immense impact on their educational system when by law they were found obligated to educate the children that came from Down Island onto the Virgin Islands. Am I correct on that?

Mr. BROWN. Yes.

Senator WEICKER. So you had a balloon, if you will, an influx of students.

Mr. BROWN. My understanding is that it continues. At a slower rate perhaps, but it continues. I can't argue that fact.

Senator WEICKER. Again, these things are easy enough to be adjusted in terms of a budget item. Dollarwise, that is a small problem, and probably the committee can remedy that. Conceptually, the matter of civil rights is something that clearly, no matter what we do on this committee, I don't know what I am going to do in terms of getting the attention of the administration on that issue.

I will tell you that if the polls that I read are true as to who voted for who in the last election, it is no small wonder when you see what is being done in terms of the minority populations of this country.

EQUAL ACCESS ACT

Why is the Department of Education promulgating regulations to implement the Equal Access Act when the sponsors in Congress, including Senators Hatfield, Danforth, and Denton, as well as Congressman Bonker, specifically have said that it was not the congressional intent to have the Department create regulations?

Mr. BROWN. I know only a very little bit about this issue. I don't believe that Dr. Davenport knows anything about it.

Ms. CICHOWSKI. I believe, Senator, that what the Department is proposing to do is to seek public comments on whether the public is interested in us providing additional guidance to that which is contained in the law and our draft regulations. I understand that one of the requests we have is whether the guidelines that were developed jointly by a variety of organizations might be incorporated in part in regulations. These guidelines answer many questions, for example, about the terms used in the statute and how the law should be read and implemented.

I don't believe that we have made a decision yet to go forward with regulations on this.

Senator WEICKER. What you are saying might indicate the difficulties that attach to this type of legislation. In the Department of Education draft, equal access to students is limited to open forums of public secondary schools notice of proposed rulemaking.

Ms. CICHOWSKI. I should clarify what I said earlier, Mr. Chairman. The Department is inclined to go forward with regulations that simply repeat the statutory language, and that is just to be sure that everybody that needs to know is clear on what the statute provides. What we haven't decided is whether or not we should go forward with any regulations that attempt to elaborate on what is contained in the staturory language or to clarify any statutory terms. We have not made a decision on whether that is necessary, or whether there is interest on the part of the schools or others.

CHAPTER 2 DISCRETIONARY FUND

Senator WEICKER. Your budget proposes to waive the statutory provisions relating to the minimum set-asides for a number of programs within the chapter 2 discretionary fund. You indicate you need this to have more flexibility in allocating these funds among other priorities.

Should you be successful in obtaining the waiver, how much less would you spend on Reading is Fundamental, arts for the handicapped, the Kennedy Center Education Program, alcohol and drug abuse education and law related education than is now being spent?

Ms. CICHOWSKI. First, we should emphasize that our request in no way reflects a proposal to terminate or substantially reduce funding for any of those programs. Rather, as a matter of principle, we think it is important that the Secretary's discretionary fund not be encumbered by statutory earmarks. The Secretary has not yet made a decision as to precise funding levels for these activities, but we would expect them to be continued at about the same level that they were funded in 1985.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. I thank you very much for your testimony.

Mr. DAVENPORT. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

CIVIL RIGHTS PROGRAMS

Question: Your budget proposes to "phase out" the Civil Rights Training and Advisory Services ($24 million in FY 1985 down to $16 million in FY 1986) and would completely eliminate funding for the new Magnet School Program ($75 million in FY 1985).

What Federal funds would be left to help school districts achieve racial desegregation?

Answer: School districts can use funds from the Chapter 2 State Block Grant program for desegregation activities. A survey by the American Association of School Administrators indicates that as many as 930 school districts (almost all the districts that are desegregating) are using Chapter 2 money to directly support desegregation activities.

In addition, we have preliminary data which indicate that some States are using Chapter 2 funds for desegregation purposes. The Chapter 2 applications submitted to the Department by the States indicate expenditures at the State level of $4.7 million, or 5.6 percent of the total State set-aside funds, for programs for racially isolated children, desegregation, and civil rights training. Many other activities reported by State and local educational agencies (compensatory education, guidance and counseling, teacher and staff training) also may be supporting desegregation activities.

Funds from the new Mathematics and Science Education program can also be used by school districts for activities that promote racial desegregation. Throughout the program statute (Title II of the Education for Economic Security Act), there are directives or set-asides for programs that provide greater access to historically underrepresented and underserved students, including minorities. Such directives are in Sections 206(b), 206(d), 207(b)(2), and 212(b)(1).

Section 206(d) also expressly authorizes State educational agencies to provide assistance to magnet schools for gifted and talented students. Likewise, Section 212(b) directs the Secretary, in awarding discretionary grants, to give special consideration to providing assistance to local educational agencies to establish or improve magnet schools for gifted and talented students. Assistance under these sections can include, but is not limited to, the provision of funds to such schools that are also designed to reduce racial isolation.

Question: Do you believe the Federal Government has any financial obligation to assist a school district seeking to provide equal educational opportunity to all of its students?

Answer: The administration does not believe the Federal Government has a responsibility to provide direct financing to local school districts to implement desegregation plans in order to provide equal educational opportunities to all students. The Department of Education has an obligation to implement legislatively authorized and funded programs, including those that support the local needs of school districts, as determined by those districts, under such programs as the Chapter 2 Block Grant program. In many cases, these local needs will include financial support for desegregation plans.

Question: What evidence do you have that the States are or will be able to assume full financial responsibility for desegregation without any Federal assistance?

Answer: If the funding for the Training and Advisory Services program is phased out, there will still be Federal assistance available for desegregation activities. One fourth of the 21 States that have submitted evaluations of the Chapter 2 Block Grant program indicate that Chapter 2 funds are being used to support desegregation training and technical assistance. We would anticipate that States will continue to support similar activities with Chapter 2 funds after funding for Title IV is phased out.

EQUAL ACCESS ACT

Question: Why is the Department of Education promulgating regulations to implement the Equal Access Act, when the sponsors in Congress, including Senators Hatfield, Danforth, Denton and others, as well as Congressman Bonker, specifically have said it was not Congressional intent to have the Department create regulations?

Answer: The Department is considering issuing regulations to implement the Equal Access Act in order to provide additional information and assistance to the public.

Question: How in good conscience can the Department arbitrarily ignore the intent of the Congress in this area?

Answer: The Department strongly supports the intent of this legislation but believes regulations may be needed to disseminate information that would be helpful in its implementation.

BUDGET REQUEST INCONSISTENCIES

Question: Your budget proposes to eliminate a number of categorical programs, i.e., magnet schools for desegregation, Emergency Immigrant Education, Women's Educational Equity, Excellence in Education, Assistance to the Virgin Islands and the Territories, etc. Your justifications point out that such programs could be supported through the regular Chapter 2 block grant program if the States so choose.

Why are you requesting a separate appropriation for the math/science program?

Answer: The Science and Mathematics Education program is designed to respond to a shortage of mathematics and science teachers, which exists in many regions of the country. Although the Excellence in Education program is designed to meet a national need for educational improvement, it has a cumbersome and burdensome grant selection process in relation to the size of the grants. The goals of this program can be more expeditiously implemented at the State and local level under the Chapter 2 Block Grant program. With the exception of Excellence in Education, these categorical programs reflect the needs of only certain localities. They are not designed to meet the educational needs of the Nation as a whole.

Question: Couldn't these activities be supported by the block grant as well?

Answer: The Chapter 2 Block Grant program is not designed to meet the educational needs of the Nation as a whole. Chapter 2 is designed to provide administrative flexibility to local school districts and States so that they can address local priorities in a manner that is most suitable to their needs.

CHAPTER 2 ADMINISTRATIVE COSTS

Question: One of the primary reasons for the administration's proposal to establish the Chapter 2 education block grant was that it would reduce the administrative costs associated with the previous categorical programs.

How do the administrative costs associated with the Chapter 2 block grant compare with the costs of administering the former categorical programs?

Answer: We have no information on the actual amounts expended for administration of the former categorical programs. The former legislation authorized 5 percent of each State's allotment under ESEA, Title II--Basic Skills Improvement -- and ESEA, Title IV--Education Improvement, Resources, and Support -- to be expended for administration. There were no statutory restrictions on the amount which could be spent for administration by the grantees under the other categorical programs included in the consolidation. A survey conducted this year by the Council of Chief State School Officers indicates that approximately 2.6 percent of Chapter 2 State funds are used for administrative costs.

Question: Is there a uniform system for collecting data on the amount of administrative costs associated with administering the block grant?

Answer: All States are required to provide information in their State applications on the administrative costs of carrying out their responsibilities under Chapter 2. The information from these applications indicates that the average expenditure for administration is 2.58 percent of a State's allotment.

Question: Shouldn't there be one?

Answer: There are no Federal reporting requirements for the Chapter 2 program because the statute expressly states that it is the intent of Congress to assist State and local educational agencies to improve elementary and secondary education in a manner designed to greatly reduce the administrative and paperwork burdens imposed on schools.

Question: Is the Department working to come up with a uniform system for reporting such costs among all the States?

Answer: No, the statute does not authorize such a system.

INEXPENSIVE BOOK DISTRIBUTION PROGRAM

Question: The Inexpensive Book Distribution Program (Reading is Fundamental) is a highly successful and important program in getting books to low income students. We understand that the administrative costs of the program, however, are quite high.

Are such administrative costs for other Department programs similar to those for the inexpensive book distribution program, where 13 percent was spent for administration, and an additional 10 percent was spent for "technical assistance" last year?

Answer: Administrative costs for other Department programs are not as high, but we do not believe a valid comparison can be made between administrative and technical assistance costs of the Inexpensive Book Distribution program and other programs given the requirements of the law and the size of the program.

Question: What special administrative needs does the inexpensive book program have that would require such a high portion of administrative expenses?

Answer: The Inexpensive Book Distribution program legislation requires the contractor (Reading is Fundamental, Inc.) to subcontract with local groups to conduct reading motivational programs. This requires negotiating, executing, processing, and monitoring about 300 subcontracts. Another requirement of the law is to assure that books are available for purchase at a discount. This requires negotiating with and monitoring book suppliers to assure books are available at a favorable discount to the local projects. Administrative costs also include processing of invoices for local projects, maintenance of program and local project records, and preparation of reports to the Department of Education.

The law also requires the contractor to provide technical assistance. This program service is designed to promote successful projects and includes direct programmatic assistance, on-site assistance, workshops and guidance materials.

Question: What is the Department of Education doing to control these costs?

Answer: The Department receives quarterly technical and financial reports as well as a final technical report at the end of the project year. These are reviewed to ensure the project is meeting the requirements of the contract as negotiated by our Grants and Contracts Office.

CHAPTER 2 BLOCK GRANT SCHOOL LIBRARIES

Question: This Committee has received quite a number of concerns about the effect of block granting of the school library program on the level of support available to libraries. One school librarian wrote that Federal funds, once a "mainstay of school libraries" have steadily declined in the past few years as they have had to compete with other educational needs.

What information does the Department have relative to the effects of block granting on school library programs?

Answer: The only information the Department has received on the effects of the block grant program on school library programs is from evaluation reports that have been submitted by 21 States. For these States, over 22 percent of the Chapter 2 expenditures were in the category of library resources, textbooks, and instructional materials during the 1983-84 school year. This percentage does not include expenditures for instructional equipment.

Question: Is this at all a concern of the Department or should it merely be a local matter?

Answer: The Department is interested in supporting the local needs of school districts, as determined by those districts, under the Chapter 2 Block Grant program. It appears that a significant portion of the Chapter 2 funds is being used by local school districts to support library resources in the States that have submitted evaluation reports.

ALCOHOL AND DRUG ABUSE EDUCATION

Question: What are the results of the study to evaluate the Alcohol and Drug Abuse Education program conducted under the Chapter 2 Secretary's Discretionary Fund?

Answer: The study shows that decreases in alcohol and drug abuse are most significant at schools that implement at least two of the five direct-impact activities that are recommended by the Alcohol and Drug Abuse program. These activities, which directly address students' drug use or disruptive behavior include: peer counseling programs, drug abuse curricula, expanded extracurricular activities, Students Against Drunk Drivers chapters, and alcohol/drug-free dances. Generally, schools that fail to implement at least two of these activities, do not achieve significant results in decreasing the level of alcohol and drug abuse.

The Department currently has a national network of five training and resource centers that train teams of school, community, and volunteer representatives in problem-solving techniques that help schools develop effective programs. This "school team" approach is effective when schools implement the recommended direct-impact program activities described above.

Question: Does the study indicate a need to change the funding level of the program, or to amend the program in any significant way?

Answer: Neither changes in the funding level for this program nor amendments to the legislation are needed at this time.

WOMEN'S EDUCATIONAL EQUITY

Question: Your budget proposal indicates that an analysis of the Women's Educational Equity Act program, conducted by the Department of Education during the winter of 1984, will be available early in 1985. When do you anticipate this analysis will be available?

Answer: The final report of the descriptive analysis of the Women's Educational Equity program will be available by the end of June 1985.

Question: Can you provide us with any information concerning the findings, conclusions, or recommendations of this analysis?

Answer: We are not able to provide any preliminary information at this time since the contractor is still collecting some final data. The report will provide descriptive information on the activities and operations of the program; analyze the funding history of the program, including the distribution of funds geographically and among types of grantees; describe the operations of the federally funded publishing center for women's educational equity projects; and review coordination of the program with other Department programs that address sex equity concerns. It will not evaluate the effectiveness of the program.

SECRETARY'S DISCRETIONARY FUND "WAIVER"

Question: Your budget proposes to waive the statutory provisions relating to the minimum set-asides for a number of programs within the Chapter 2 discretionary fund. You indicate you need this to have more flexibility in allocating these funds among other priorities.

Should you be successful in obtaining the waiver, how much less would you spend on Reading is Fundamental, Arts for the Handicapped, the Kennedy Center Education program, Alcohol and Drug Abuse Education and Law Related Education than is now being spent?

Answer: If the mandatory set-asides are eliminated, the Department intends to continue to support these programs. For the 1986 fiscal year, these programs would be funded at levels that are similar to those for fiscal year 1985.

Question: Why do you need this "flexibility" that is not provided for in the law?

Answer: Presently, less than 25 percent of the Discretionary Fund is actually discretionary. We believe the Secretary of Education ought to have true discretion over any monies appropriated to a Secretary's Discretionary Fund. The amended statute would continue to authorize the Secretary to fund the same types of activities but would allow the Secretary to use his discretion in allocating these funds.

Question: What new priorities would you fund?

Answer: Of the amount to be allocated, $450,000 would be used to partially support the congressionally mandated Chapter 1 study. The Secretary has not yet determined how the remaining funds would be allocated.

NATIONAL DIFFUSION NETWORK

Question: What percentage of the National Diffusion Network's fiscal year 1985 budget was used to disseminate activities that were not certified by the review panel?

Answer: Secretary Bell directed that $300,000 of the $10.7 million allocated for the National Diffusion Network (NDN) be used to support the dissemination of 118 unusually successful Chapter 1 programs which were identified by State education agencies in collaboration with the Department. This amounts to 2.8 percent of the NDN fiscal year 1985 budget. While these programs have not been approved by the Joint Dissemination Review Panel (JDRP), we believe they are good program models and have potential for JDRP certification.

Question: Is the Department doing anything to encourage greater use of the JDRP/National Diffusion Network strategy?

Answer: The National Diffusion Network conducts searches for exemplary programs and provides evaluation assistance for preparing submissions to the JDRP. Most of the programs disseminated by the NDN were developed with funding from Chapter 1, Chapter 2, Special Education, or their predecessors.

Within the past year, NDN has provided technical assistance to the recipients of the School-Based Model Technology Demonstration grantees and to a conference of State representatives regarding the new Science and Mathematics program (Title II of the Education for Economic Security Act of 1984) to encourage and assist the developers of exemplary programs with their submissions to the JDRP. Also, the Science and Mathematics program was featured on one of NDN's nationwide video teleconferences.

The Department is also working to identify the best ways to disseminate school programs or projects recognized as being exemplary by other Department of Education programs, such as the Secondary School Recognition program and the unusually successful Chapter 1 programs. As in the case of the NDN, project staff might be used as trainers for staff in other schools and districts that want to implement these programs or develop similar programs.

CHAPTER 2 DISCRETIONARY FUND/EDUCATIONAL TV

Question: The Secretary's Discretionary Fund has been particularly useful in supporting television and other technologies for education. Programs such as Sesame Street, and now 3-2-1 Contact are examples of TV education projects which have been aided by these funds. Do you intend to continue this support?

Answer: Yes, we do. The new Science and Math Discretionary Fund created by the Education for Economic Security Act will be used to support children's educational television in 1985 and 1986.

Questions Submitted by Senator Quentin N. Burdick

EDUCATION SECRETARY'S DISCRETIONARY FUND

Question: In addition to the discretionary funds in the Chapter 2 appropriation, funds were also made available in the Education for Economic Security bill passed and funded last year. What use have you made of these discretionary funds?

Answer: Of these funds, $1.475 million must be used for projects at institutions of higher education to expand and improve instruction in critical foreign languages. An additional $2 million is being used to support two children's educational television series, *3-2-1 Contact* and *Voyage of the Mimi*, and the Secretary is considering allocating $1 million for a new mathematics series for children. We expect that about $1 million will be used for research and evaluation activities through the National Institute of Education. In addition, proposed priorities for a grants competition have been published in the *Federal Register* for public comment.

Question: If discretionary funds are again available under this Act, how would you foresee them being used?

Answer: In fiscal year 1986, we would continue to support each of the children's educational television series receiving support in 1985. As in 1985, $2.475 million would be used to improve and expand instruction in critical foreign languages. We also would expect to support some research and evaluation activities through the National Institute of Education and one or more grants competitions.

Question: We have heard testimony over the years about the value of television as an educational tool. Within the Department, where do you consider the possibilities for the use of television?

Answer: The Center for Libraries and Education Improvement, a unit within the Office of Educational Research and Improvement, is responsible for educational television activities. We agree with your observations and, as indicated, plan to continue support for educational television.

Questions Submitted by Senator William Proxmire

EDUCATION BLOCK GRANT

Question: The Congressional Budget Office reports that Federal assistance for elementary and secondary education could be reduced significantly without jeopardizing special groups by terminating the Chapter 2 education block grant program. Although States and local officials would then have to rely on other funding sources to continue the untargeted activities currently supported by Chapter 2, CBO estimates that the effects of this would be minimal since Chapter 2 contributes -- on average -- less than one-half percent of total school district funds. Ending this program would reduce outlays next year by $40 million and by $2.3 billion over the 1986-1990 period. What's your reaction to CBO's suggestion?

Answer: The purpose of the block grant program is to improve the quality of education, rather than to subsidize the current level of support. In fact, school districts must use Chapter 2 funds to supplement, and to the extent practical, increase the level of funds that would, in the absence of Chapter 2 funds, be available from non-Federal sources. Although Chapter 2 may represent a small part of a school district's budget, it can be a very significant part of a school district's discretionary funds available after payments have been made for routine costs.

A small Federal contribution can be an impetus for initiating educational reforms that would not otherwise occur. In "A Nation at Risk," the National Commission on Excellence in Education documented the seriously deficient condition of this country's educational system and recommended a number of sweeping reforms. The Chapter 2 Block Grant program continues to be the best vehicle for providing Federal support for many of these reforms. Local school districts can make use of Chapter 2 funds to initiate needed reforms at the local level -- master teacher programs, changes in the length of the school day, reform of high school inservice training of teachers -- to encourage other sources to provide additional support.

Question: The General Accounting Office has raised several questions regarding the lack of any uniform cost data with which to compare the administrative costs incurred by States under the block grant program. For example, only two of the thirteen States visited last year by GAO had any detailed definition as to what constituted administrative costs. Some States had no standardized procedures in place at all for documenting these costs. Is the Department doing anything to require uniform cost reporting?

Answer: All States are required to provide information in their State applications on the administrative costs of carrying out their responsibilities under Chapter 2. The information from these applications indicates that the average expenditure for administration is 2.53 percent of a State's allotment.

There are no Federal reporting requirements for the Chapter 2 program because the statute expressly states that it is the intent of Congress to assist State and local educational agencies to improve elementary and secondary education in a manner designed to greatly reduce the administrative and paperwork burdens imposed on schools.

Question: If not, how do you compare these administative costs which will total $100 million under the request?

Answer: A survey conducted this year by the Council of Chief State School Officers confirms the information provided on the State applications. The survey indicates that 2.6 percent of Chapter 2 State funds are used for administrative costs.

ALCOHOL AND DRUG ABUSE

Question: Mr. Davenport, each year the Alcohol and Drug Abuse Education program reaches about 700,000 school children -- approximately 1.5 percent of the Nation's 5 to 17 year olds. That's a mere pittance when you consider the dimension of the problem. The

National Transportation Safety Board reports that roughly 15 percent of all high school seniors now drink heavily on a weekly basis. How much do you plan to spend next year on this program?

Answer: The funding for this program in 1986 will be close to the fiscal year 1985 funding level of $3,000,000.

Question: Although I realize this is primarily a training and demonstration program, why are there no evaluation data on student drug behavior?

Answer: A recent Department study of the Alcohol and Drug Abuse program evaluated methods of reducing the level of alcohol and drug abuse. The study shows that decreases in alcohol and drug abuse are most significant at schools that implement at least two of the five direct-impact activities that are recommended by the Alcohol and Drug Abuse program. Those activities, which directly affect a student's drug use or disruptive behavior include: peer counseling programs, drug abuse curricula, expanded extracurricular activities, Students Against Drunk Driving chapters, and alcohol/drug-free dances.

INEXPENSIVE BOOK DISTRIBUTION

Question: Last year you reported that nearly 23 percent of the funds spent in 1983 for the Inexpensive Book Distribution program were used by the contractor for administrative costs and technical assistance services. That seems rather high, given the small size of the program. Don't you think $1.3 million is exorbitant to spend in one year for such services? The total cut last year was only $5.8 million.

Answer: The administrative costs are affected by requirements in the program statute. The Inexpensive Book Distribution program legislation requires the contractor (Reading is Fundamental, Inc.) to subcontract with local groups to conduct reading motivational programs. This requires negotiating, executing, processing, and monitoring about 300 subcontracts. Another requirement of the law is to assure books are available for purchase at a discount. This requires negotiating with and monitoring book suppliers to assure that books are available at a favorable discount to the local projects. Administrative costs also include processing of invoices for local projects, maintenance of program and local project records, and preparation of reports to the Department of Education.

The law also requires the contractor to provide technical assistance. This program service is designed to promote successful projects and includes direct programmatic assistance, on-site assistance, workshops and guidance materials.

Question: Do you have any plans to evaluate this program? If not, why not?

Answer: A descriptive study was conducted by the General Research Corporation in 1980. This study found the program had a beneficial effect on school-community and school-parent relations, was the primary source of books for most children, and stimulated greater parental involvement in their children's reading. We do not have any plans at the present to evaluate the program.

EDUCATIONAL RESEARCH AND STATISTICS

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND STATISTICS

ACCOMPANIED BY:

EMERSON J. ELLIOTT, ADMINISTRATOR, NATIONAL CENTER FOR EDUCATION STATISTICS AND ACTING DIRECTOR, NATIONAL INSTITUTE OF EDUCATION

THOMAS G. CARROLL, CHIEF, PROGRAM PLANNING AND DEVELOPMENT, NATIONAL INSTITUTE OF EDUCATION

CAROL A. CICHOWSKI, DIRECTOR, DIVISION OF SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Our next witness is Donald Senese, the Assistant Secretary for Educational Research and Statistics.

Dr. Senese, why don't you introduce your colleagues and proceed as you wish.

Dr. SENESE. Thank you, Mr. Chairman. It is a pleasure to be here. On my left is Emerson Elliott who is the Administrator for the National Center for Education Statistics, and also presently the Acting Director for the National Institute of Education. To his left is Tom Carroll, who is with the National Institute of Education. On my right is Carol Cichowski who is with the Budget Office.

Senator, I have submitted a copy of my statement for the record, and I would just like to go over some of the highlights at this time.

Support for educational research and statistics is a Federal responsibility and makes a significant contribution to the educational enterprise. For fiscal year 1986, the administration is requesting a total budget of $59,978,000 for educational research and statistics. That amount would support a continuation of the fiscal year 1985 level of $8,747,000 for the National Center for Education Statistics and $52,231,000 for the National Institute of Education.

NATIONAL CENTER FOR EDUCATION STATISTICS BUDGET REQUEST

The 1986 agency request of $8,747,000 for the national center maintains the recent level of funding for NCES. Of this amount, $2.5 million is requested to provide data on elementary/secondary education. Basic statistics on enrollments, completions, staff, and financing will continue to be collected through the common core of data.

At the postsecondary level, $3.8 million is requested. Implementation of the integrated postsecondary education data system is intended to provide for the first time consistent data on enrollments, awards, staff, and finance for postsecondary institutions whose primary purpose is education.

In response to the Carl Perkins Vocational Education Act, the center is designing a new system to collect vocational education data. For this purpose, $1 million is being requested.

Key to the center's data collection activities is information analysis and dissemination; $1.4 million is requested to continue the Statistical Information Office, produce the condition of education and digest of education statistics, and to develop and refine the measures used the indicators of education status and trends. In addition, the center will continue its fast response survey system to provide data to address policy concerns of the Department.

NATIONAL INSTITUTE OF EDUCATION BUDGET REQUEST

For the National Institute of Education's budget, $51,231,000 is requested to enable the Institute to focus on improving the quality of education and providing assistance to States and localities.

Approximately $48.2 million of this fiscal year 1986 budget request will be used for the continuation costs of current activities, including awards to 8 regional educational laboratories and 11 national research centers that will result from the congressionally mandated national competition in 1985.

The other long-term institutional commitments include such things as the Educational Resources Information Center, ERIC; the National Assessment of Educational Progress, NAEP; and the Center for the Study of Reading.

The fiscal year 1986 budget would also provide $3 million for new activities which support the major theme of "Strengthening America's Classrooms." Those areas of research would include improving the selection, recruitment, and training of teachers with particular emphasis on acquainting college and university faculties with recent findings on education research, and assistance in restructuring teacher education course offerings to take advantage of those recent findings; pursuing excellence in postsecondary education, including research to examine the relationship between higher education and career success; improving the effectiveness of secondary schools, particularly through strengthening dissemination programs.

In conclusion, let me say that I believe the National Center for Education Statistics and the National Institute of Education can and will make valuable contributions toward strengthening American classrooms and improving education in the Nation.

PREPARED STATEMENT

Thank you, Mr. Chairman. My colleagues and I will be happy to answer any questions you may have at this time.

[The statement follows:]

Statement of Donald J. Senese

We appreciate this opportunity to appear before you to discuss the 1986 budget for Educational Research and Statistics.

Fiscal Year 1986 Budget Request

Support for Educational Research and Statistics is a Federal responsibility and makes a significant contribution to the educational enterprise. For fiscal year 1986, the Administration is requesting a total budget of $59,978,000 for Educational Research and Statistics. This amount would support a continuation of the fiscal year 1985 level of $8,747,000 for the National Center for Education Statistics and $51,231,000 for the National Institute of Education.

National Center for Education Statistics

As the primary Federal agency responsible for education statistics, the National Center for Education Statistics collects, analyzes and disseminates statistics on the condition of education in the United States, reports on the meaning of these statistics, and provides assistance to State education agencies in improving their statistical systems. Data relating to past trends, current estimates and future projections are provided for key aspects of education including enrollments, degrees, and instructional staff on an ongoing basis, while special studies address emerging policy issues. Through reports, publications, data tapes, special tabulations and an information service, NCES responds to the needs of the broad spectrum of policy-makers, the educational community, and the public for education statistics.

The 1986 agency request of $8,747,000 maintains the recent level funding for NCES. Of this amount, $2.5 million is requested to provide data on elementary/secondary education. Basic statistics on enrollments, completions, staff, and financing will continue to be collected through the Common Core of Data. The second Public School Survey will quantify changes in the teaching environment, teacher certification, and teacher turnover rates. NCES is currently conducting a review of the elementary/secondary data systems to identify needed changes to provide timely, quality data. In addition, planning will begin on a proposed new longitudinal study, one cohort of which would be the sophomore high school class of 1988.

At the postsecondary level, $3.8 million is requested. Implementation of the Integrated Postsecondary Education Data System is intended to provide for the first time consistent data on enrollments, awards, staff, and finance for postsecondary institutions whose primary purpose is education.

In response to the Carl Perkins Vocational Education Act, P.L. 98-524, the Center is designing a new system to collect vocational education data. $1.0 million will be used to augment current elementary/secondary, postsecondary, and planned longitudinal surveys, and to design sample surveys.

Major objectives are to minimize response burden and improve data quality. Through this system data will be provided on vocational education programs, completers of these programs as well as staff, finances, students and facilities.

Key to the Center's data collection activities is information analysis and dissemination. $1.4 million is requested to continue the Statistical Information Office, produce The Condition of Education and Digest of Education Statistics, and to develop and refine the measures used in the Indicators of Education Status and Trends. In addition, the Center will continue its Fast Response Survey System to provide data to address policy concerns of the Department.

National Institute of Education

Mr. Chairman, the National Institute of Education is the Federal Government's primary agency for conducting research to find ways to improve American education. For fiscal year 1986, $51,231,000 is requested, which is the same as the fiscal year 1985 appropriation.

This request would enable the Institute to focus on improving the quality of education and providing assistance to States and localities.

Approximately $48.2 million of the fiscal year 1986 budget request would be used to continue current activities, including support for regional educational laboratories and national research centers that will result from the congressionally-directed national competition in 1985. Other long-term institutional commitments include: the Educational Resources Information Center (ERIC) system; the National Assessment of Educational Progress (NAEP); Reading; the Institute for Research on the Center for the Study of Teaching; and the National Center for Bilingual Research. Other multi-year contracts and grants would be supported for research in the areas of effective schools and effective teaching, literacy, and mathematics learning. An additional $1.6 million would be used to provide partial support of the congressionally-mandated assessment of compensatory education.

The fiscal year 1986 budget would also provide $3 million for new activities which support the major theme of "Strengthening America's Classrooms." Areas of research being considered for support include: pursuing reform in teacher education with a particular emphasis on acquainting college and university faculties with recent findings on education research, and assistance in restructuring teacher education course offerings to take advantage of those recent findings; pursuing excellence in postsecondary education including research to examine the relationship between higher education and career success; improving the effectiveness of secondary schools, particularly through strengthening dissemination programs to get important findings into the hands of teachers and administrators; and, improving the effective use of new technologies, particularly the quality of educational software, policy and implementation issues, and information gathering and dissemination.

In conclusion, let me say that I believe the National Center for Education Statistics and the National Institute of Education can and will make valuable contributions toward strengthening American classrooms and improving education in the Nation.

Thank you Mr. Chairman and Members. My colleagues and I will be glad to answer any questions that you may have.

Biography of Donald J. Senese

POSITION : Assistant Secretary
Educational Research and Improvement

BIRTHPLACE AND DATE : Chicago, Illinois, April 6, 1942

EDUCATION : B.S., Loyola University of Chicago, 1964
: M.A., University of South Carolina, 1966
: Ph.D., University of South Carolina, 1970

EXPERIENCE :

8/81 - PRESENT : Assistant Secretary for Educational Research and Improvement, U.S. Department of Education

5/81 - 8/81 : Consultant, U.S. Department of Education

1976 - 4/1981 : Senior Research Associate, House Republican Study Committee, U.S. House of Representatives

1973 - 1976 : Chief Legislative Assistant, Representative Bill Archer of Texas

1973 : Legislative Assistant and Newsletter Editor
Senator William L. Scott of Virginia

1969 - 1972 : Associate Professor of History
(Radford University; Radford, Virginia)

ADDITIONAL EXPERIENCE : Member of the General Administration Board of the U.S. Department of Agriculture Graduate School (1975-1980; 1981 -)

*Elected to the National Board of Directors and to the Executive Committee of the University Professors for Academic Order

Selected by the Alexandria City Council to serve on the Alexandria Historical Records Commission (March 1979 - 1981; Reappointed 1981 - 1984)

Served on Research Staff for Subcommittee on Human Resources for the 1980 committee on Resolutions

Served as Government Fellow in program on health issues

*Resigned upon U.S. Senate Confirmation

Served on Transition Task Force for U.S. Education Department and for the U.S. Department of Health and Human Services for the President - Elect

PUBLICATIONS :

Numerous articles and book reviews in publications such as: American Education; Asia Mail; The Classical Outlook; Commonsense; Family Protection Report; Free Asia Report; The Freeman; History Today; Human Events; ISI Campus Report; The Journal of Social and Political Studies; Modern Age; New Guard; National Review; Policy Review; Private Practice; South Carolina Law Review; The State Factor; Universitias; The University Bookman.

BOOKS :

Indexing the Inflationary Impact of Texas: The Necessary Economic Reform, Washington, D.C.: The Heritage Foundation, 1978.

Modernizing the Chinese Dragon: The Prospective Impact of Western Aid Technology on Mainland China, Washington, D.C.: The Council on American Affairs, 1980. (This book received a Freedoms Foundation Award from the Freedoms Foundation at Valley Forge, Pennsylvania.)

Ideas Confront Reality: An Analysis of Critical Issues in the Reagan Era (editor), Washington, D.C.: U.S. Department of Agriculture Graduate School Press, 1981.

Asianomics: Challenge and Change in Asia, Washington, D.C.: The Council on American Affairs, 1982.

Educational Research and Statistics

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. National Institute of Education.............	$48,231	$54,231	$51,231	$51,231
2. National Center for Education Statistics....	8,747	8,747	8,747	8,747
Total...............................	56,978	62,978	59,978	59,978

ACADEMIC PERFORMANCE

Senator WEICKER. I have heard recently some views directly linking a decline in academic performance over the past 20 years with an increase in Federal involvement. I was wondering if you know of any statistical evidence that NCES has collected in this area, or that NIE has accomplished in terms of research in this area?

Dr. SENESE. Not that I am aware of that draws a direct link.

Mr. ELLIOTT. I am not aware of anything like that, Senator. I think people are just putting together two different systems of data and drawing inferences that have no basis in study insofar as I am aware.

LABS AND CENTERS COMPETITION

Senator WEICKER. The long anticipated NIE competition for educational laboratories and research centers is underway. In 1983, the Department held a series of 11 public meetings to obtain advice about the type of research that should be conducted by the research centers. Your own justification indicates that 1 year later, after considering the many views that were expressed, then Secretary Bell announced the various research agendas agreed for 11 centers.

Now we understand that one of Secretary Bennett's first acts in his new position was to delay the competition by 2 months so he could assemble his own hand-picked panel to review the research agendas already worked out.

Will this result in any significant changes in the already determined research agenda?

Dr. SENESE. I don't think that it is going to be a major change, Senator. I think the Secretary wanted to review some of the areas of priority. There was a meeting held April 17. I think the Secretary is very concerned that the proper issues will be addressed by these centers and he wants to avoid any type of duplication. Also, the Secretary wants to make sure, because of the large amount of money that is involved and the long-term commitments, that we get for our money the best research on the best issues identified.

Senator WEICKER. What I worry about is that we are going to have another lengthy review of something that has already been decided.

Dr. SENESE. Senator, I think it is only a 2-month delay. The Secretary of Education wanted to review the mission statements for the research centers. I think they will be going forward very soon.

Mr. ELLIOTT. May I add just a comment. There is an overall agenda to look at what are the research priorities for the entire Department of Education, and the review of the center missions is in the context of that overall review.

HIGHER EDUCATION INFRASTRUCTURE

Senator WEICKER. We have heard many reports recently from the higher education community about the decaying infrastructure in the Nation's college campuses—facilities that are outdated, inadequate for research, need for new instrumentation, et cetera. Funding estimates of construction and other related needs on campuses have run as high as $50 million.

What plans does NCES have concerning the collection of statistics regarding the condition of facilities and equipment in the Nation's campuses?

Dr. SENESE. On that specific question, I would like to ask Dr. Elliott to respond.

Mr. ELLIOTT. Senator, the national center is in the process of developing a new data system, as the Assistant Secretary has said, for higher education, and there will be considerable emphasis in that on data that are comparable across not only traditional institutions of higher education, but also technical institutes and other organizations so that it will be possible for the first time to add up information on enrollments, degrees, and a number of other things that have not been comparable.

We have tended not to give a very high priority to facilities. That is a statistic that people tend to think does not change very fast, and it has not come to my attention previously that this is an issue of high priority. People are very interested in having salary data, for example, every year, and they are interested now in having more data about the courses that students are taking. I have not personally heard a great deal about an interest in facilities statistics recently.

PACIFIC BASIN

Senator WEICKER. Last year, Senator Inouye posed the following question. At that time, the committee and the conferees expressed their interest in having NIE address the pressing educational needs of the Pacific Basin. What is NIE doing in response to that concern?

Dr. SENESE. One of those activities, Senator, is part of the laboratory competition. The Pacific area is being included in the work of the Northwest Regional Laboratory, and that includes Hawaii and the Pacific area.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record, and I thank you very much for your testimony.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

DELAY IN APPROVING PUBLICATIONS

Question: We understand that the Government-wide Publications and Audio-visual Advisory Council (PAVAC) has something of a stranglehold on all publications and products coming from the educational laboratories such that PAVAC has cleared just a few of the hundreds of publications now seeking clearance. Aren't these products the ones that had already been agreed to as part of the laboratories' contract arrangement with the Department?

Answer: For the most part, plans to develop these products were included in recent contracts with the laboratories. However, each contract contains a special provision that all publications and audio-visuals intended to be developed or produced require PAVAC approval before any funds are expended.

Question: What is the reason for the hold-up?

Answer: On April 11, the PAVAC requested additional information on each of the products before they would consider the requests for approval. All the additional information was forwarded to PAVAC by April 22, 1985.

The PAVAC had several meetings to review this information, and completed their reviews on May 9. The results have been communicated to OERI and to the institutions whose publications were undergoing review.

Question: Who serves on the Department's PAVAC Council? Are they political appointees or professional educators?

Answer: The PAVAC consists of not less than five policy-level officials in the Department. Selection is by invitation from the Chair upon consultation with the full Council. Additional members may be added at the discretion of the PAVAC. Currently serving are: Anne Graham, Assistant Secretary for Legislation and Public Affairs (Chair); Linda Combs, Deputy Under Secretary for Management; A. Wayne Roberts, Deputy Under Secretary for Intergovernmental and Interagency Affairs; Maureen E. Corcoran, General Counsel; and Joan Standlee, Deputy Assistant Secretary for Special Education and Rehabilitative Services. The first four members listed are Presidental appointees, approved by the Senate. A. Wayne Roberts and Linda Combs both have education experience.

Question: What are the criteria used in screening such publications?

Answer: The review criteria include the following:

a. Completeness as to form and required documentation;

b. Conformance with policies and procedures of Publication and Audio-visual Control System;

c. Essentiality, i.e., the degree to which the procurement or production of the publication/audio-visual is so important that, without the publication/audio-visual the program will not fulfill its mission;

d. Cost-effectiveness, both from an absolute perspective and relative to the proposed method of production, including certain technical specifications relating to cost;

e. The ability of the product to achieve the stated goal;

f. The need for additional internal coordination;

g. Departmental priorities;

h. Conformance with legislation, regulations, and policy;

i. The suitability of the message.

CONTRACTING OUT NCES ACTIVITIES

Question: Does the Department of Education have any plans to contract out more data collection activities currently conducted by the National Center for Education Statistics (NCES)?

Answer: The NCES contracts out almost all of its data collection and processing activities at present. However, certain activities of the Center have been selected for a productivity review under the A-76 requirements of OMB. That process is under development and will be completed sometime in the future.

Question: Would such contracts be cost-effective?

Answer: The A-76 process is to determine the cost effectiveness of contracting out such activities versus retaining those activities in-house.

Question: Would statistics collected by contractors be more accurate, timely, or reliable?

Answer: Contracting out does not necessarily guarantee that the statistics will be more accurate, timely, or reliable. In fact, the Center has had varied experience in contracting its data collection and processing activities. In recent years, the center has experienced delays in disseminating data from two major surveys due to problems with contractors. Contracting problems were, in fact, one of the reasons for not discovering the problems with the Vocational Education Data System (VEDS) until several years into the system.

Question: What would be the additional costs of monitoring such contracts?

Answer: It is impossible, at this time, to determine the additional costs of monitoring contracts for any new activities contracted out. Until decisions are made regarding what will and will not be contracted out, cost figures are impossible to estimate. However, although the salaries and expenses budget would be reduced if any staff activities were contracted out, it would be appropriate to increase program funds to accommodate the contract costs, and there would be additional costs for contract monitoring.

CONTRACTUAL OBLIGATIONS

Question: Last year, the conferees agreed to increase the National Institute of Education's (NIE) funding by $3 million over the previous year, but specifically targeted that increase to a program of grants for colleges and universities to acquaint faculties with recent advances in educational research. Your budget documents indicate that you are unable to fund this initiative at any more than about $1 million because of the need to fund "continuations". This committee therefore, has asked the Department for a listing of all NIE continuations for fiscal year 1985 and their specific dollar amounts but has not as yet received such information. Will you provide, for the record, a listing of all continuations and other such obligations with corresponding dollar amounts for fiscal year 1985?

Answer: The following list represents NIE's continuations for fiscal year 1985.

	($ in thousands)
Regional Laboratories	$14,266
Appalachia Educational Laboratory	(1,704)
Far West Regional Laboratory	(2,458)
Mid-Continent Regional Educational Laboratory	(980)
North Central Regional Educational Laboratory	(70)
Northwest Regional Educational Laboratory (includes Hawaii Pacific Basin Project)	(3,195)
Research for Better Schools, Inc.	(2,333)
Southwest Educational Development Laboratory	(1,477)
Southwest Regional Laboratory	(1,749)
Secondary School Recognition (follow-up conferences)	(300)
Northeast Regional Exchange	640
Southeastern Regional Council	700
National Research Centers	14,180
Center for Educational Policy & Management	(806)
Center for the Study of Evaluation	(874)
Center for Social Organization of Schools	(1,207)
Institute for Research on Finance and Governance	(1,170)
Learning Research and Development Center	(2,352)
National Center for Higher Education and Management Systems	(1,465)
National Center for Research in Vocational Education	(1,041)
Educational Technology Center	(1,792)
Research and Development Center for Teacher Education	(1,477)
Wisconsin Research and Development Center	(1,996)
Planning Grants and Competition of Labs and Centers	1,530

Institutional Relationships	15,780	
Center for Study of Reading	(1,800)	
NAEP	(3,880)	
NAEP Adult Literacy	(1,475)	
Institute for Research on Teaching	(1,525)	
ERIC	(5,600)	
National Center for Bilingual Research	(300)	1/
Chapter 1 Assessment	450	
Other Contracts and Grants	2,523	
Influence of State Laws and Policies on Institutions of Higher Education	(52)	
Effective Schools: A Second Generation Study	(33)	
State Legislatures' Education Finance Policies	(250)	
State Dissemination Capacity Building - Puerto Rico	(33)	
Urban Superintendents Network	(100)	
State Technology Leadership Project	(130)	
Small Business Innovation Research Program	(303)	
Education Library	(318)	
Instruction for Understanding Science	(38)	
Children's Understanding of Numbers	(37)	
Microcomputers and Literacy on Classroom Organization	(107)	
Alternative Teacher Career Structures	(59)	
Effective Schools Autonomy	(175)	
Role of Schools	(32)	
Oral Language in Development of Literacy	(50)	
NAEP Secondary Analysis	(35)	
Improvement of Practice Study Group	(37)	
Technology Study Group	(150)	
Secondary School Recognition Program	(450)	
Testing for Teacher Credentialing	(40)	
Telecommunication Project	(20)	
Other projects under $20K	(74)	
Planned Lapse	162	2/
Total Continuations	$50,231	

1/ This amount represents the last increment for an award expiring in 1985. An additional amount will be used to fund a new competitive contract which is subject to final negotiation. Federal procurement regulations do not allow us to place an exact dollar amount on the award at this time.

2/ This amount is set aside to cover overhead adjustments approved at a future date by Department of Education audits.

Question: For fiscal year 1986 you expect that such continuations add up to $48.2 million. Please provide the committee with the same details as in the previous request. How much is needed for each contractual obligation of the NIE in 1986?

Answer: The following list represents NIE's continuations for fiscal year 1986.

	($ in thousands) Proposed 1986 Budget Request
Labs and Centers	$30,000
Institutional Relationships	14,531
Center for Study of Reading	(1,800)
National Assessment of Educational Progress (NAEP)	(3,880)
NAEP Adult Literacy	(126)
Institute for Research in Training	(1,525)
Education Resources Information Center	(5,700)
National Center for Bilingual Research and Second Language Education	1/
Chapter 1 Assessment	1,500
Other Contracts and Grants	1,869
Planned Lapse	235 2/
Total Continuations	$48,185

1/ This will be the second year of a new competitive contract which is still subject to final negotiation. Federal procurement regulations do not permit us to place an exact dollar amount on the award at this time.

2/ This amount is set aside to cover overhead adjustments approved at a future date by Department of Education audits.

Question: How much is left for new initiatives? What will those new initiatives entail?

Answer: The fiscal year 1986 budget provides $3 million for new activities which support the major theme of "Strengthening America's Classrooms." Areas of research being considered for support include: pursuing reform in teacher education with a particular emphasis on acquainting college and university faculties with recent findings on education research, and assistance in restructuring teacher education course offerings to take advantage of those recent findings; pursuing excellence in postsecondary education including research to examine the relationship between higher education and career success; improving the effectiveness of secondary schools, particularly through strengthening dissemination programs to get important findings into the hands of teachers and administrators; and, improving the effective use of new technologies, particularly the quality of educational software, policy and implementation issues, and information gathering and dissemination.

TEACHER EFFECTIVENESS

Question: What conclusions can be made from your research on teacher quality and effectiveness?

Answer: As you might expect, there are many findings and it is impossible to report or summarize all of them here. Some of the key findings and conclusions include these:

- We need to attract and retain more competent teachers. The problems in science and mathematics are most visible, because starting salaries for teachers are especially poor compared to those in other science and math related fields. However, the need extends to other fields, as well. Increased salaries, better working conditions, and a restructuring of the profession are some of the ways in which teaching can be made more attractive. (None of this, of course, is to denigrate the many effective teachers at work in the Nation's classrooms.)

- There are definite strategies which teachers can use to help them manage and organize their classrooms effectively, and these strategies can be effectively taught. It is important, for example, that teachers clearly define classroom procedures and routines, and let students know what these are. Effective teachers monitor student behavior and prevent disruptive behavior by keeping a close eye on their students. Inappropriate behavior needs to be handled promptly and consistently. Effective teachers plan ahead carefully and anticipate students' problems.

- Effective teachers use classroom time wisely. There are very wide variations in the amount of time which students spend engaged in learning, even in schools and classrooms which nominally meet for the same number of hours. NIE research demonstrates that teachers can be taught to use time more wisely.

- Research has identified ways to teach many specific skills more effectively than is the norm in typical classrooms. In teaching writing, for example, time must be spent on real writing rather than on short answers and fill-in-the-blank exercises. The importance of drafts must be stressed, as well as the organization of thoughts before writing begins. In the teaching of reading, parental involvement is critical. Beginning reading should present well-designed phonics instruction, and reading primers should give children opportunities to apply phonics. Teachers need to devote more time to comprehension instruction, and children should spend more time in independent reading.

- Most school districts, despite good intentions, don't spend enough time sufficiently developing effective teacher evaluation systems. Teacher evaluation is important whether its purpose is to improve teacher performance or to provide differential rewards to teachers. Yet, many school districts evaluate teachers simply to comply with state laws or to respond to community sentiment. The current surge of interest in teacher incentive plans will require districts to develop a commitment to effective teacher evaluation systems.

A brief summary can only be suggestive. For example, an important volume, *Becoming a Nation of Readers: The Report of the Commission on Reading*, was recently released by Secretary Bennett covering just this one aspect of instruction. However, we have tried to highlight some of the most important conclusions of NIE-sponsored research on teacher quality and effectiveness.

TEACHER SUPPLY AND DEMAND

Question: *What subject areas have the greatest shortages of qualified teachers? Which areas currently appear to be satisfactory?*

Answer: Data on current shortages are ambiguous. The Department's most recent national survey on this subject was conducted by the National Center for Education Statistics (NCES) in the 1983-84 school year, and shows that nationwide there were fewer than 4000 cases in which a vacancy was caused by a shortage of candidates for a specific position. In itself this figure, when compared to a total teaching force of 2.6 million, gives little cause for concern. However, it is not known to what extent positions were filled by candidates with marginal qualifications, or if classes may have been cancelled or combined to accomodate a shortage of qualified teachers. Other information, including recently published anecdotal reports and testimony in recent years concerning science and math teacher shortages, indicate that in certain fields and particular States and localities shortages are evident.

Assuring an adequate supply of qualified teachers in coming years is a matter of more concern than current shortages. NCES periodically projects the supply and demand for teachers. It is striking to note that due to increasing numbers of children of school age, and other factors, the demand for new teachers is projected to increase, while at the same time the supply of new teacher graduates is expected to decrease. That decrease is due largely to the fact that in recent years there has been a dramatic decrease in the percentage of undergraduates choosing to prepare for teaching. Between 1971 and 1982, for example, the percentage of all bachelor's degrees which were awarded to those majoring in education declined by 50 percent. It should also be noted that an expected decline in our undergraduate enrollments overall is expected. Taken together, these factors indicate that the Nation will face more widespread teacher shortages.

During the period 1985 - 1990 we are projecting a need for one million new teachers. As many of the recent reports on education have suggested, attracting and retaining teachers of high calibre in the numbers we need is likely to require changes in teacher compensation and in the structure of the profession.

DISSEMINATION PROJECTS

Question: *What types of dissemination projects do you have that might effectively help improve the quality of teaching in the nation's schools and education institutions?*

Answer: In education, as in agriculture, medicine, and other fields, research results need to reach those who can put them to use. For this reason, the National Institute of Education has been supporting a wide variety of dissemination projects, as well as research, for more than a decade. Here are some examples:

The NIE-funded regional laboratories provide assistance to educational institutions to meet needs which the institutions have identified. Dissemination efforts include these:

- For more than five years Research for Better Schools (RBS) has helped the Maryland Department of Education improve instruction in all 24 county school districts. Student team learning and mastery learning are two of the specific techniques which have been implemented. RBS provides information through workshops, monographs, and evaluations.
- The Far West Laboratory (FWL) has worked with the Utah State education agency to help support a State-wide effort to improve instruction. FWL has helped the agency select and train a network of individuals from across the State to plan and monitor improvement programs.
- The Northwest Regional Education Laboratory (NWRL) has been providing training to school principals in Hawaii, Kauai, and Oahu which stresses the leadership role of the principal in improving instruction.
- The Southwest Regional Laboratory (SWRL) has focused its research and dissemination efforts on specific ways teachers and principals can use student proficiency data to plan more effective instruction.

Research and dissemination projects concerning effective schools have been particularly emphasized at NIE in recent years, including the following projects:

- The NIE-designed Secondary School Recognition Program is in its third year of operation. The NIE regional educational laboratories are major participants in disseminating information about effective schools.
- The Institute is completing work on one of the most comprehensive documents on effective schools ever developed. Reaching for Excellence: An Effective Schools Sourcebook integrates research results with an up-to-date directory of the most successful effective schools programs being implemented around the country. Teachers and principals can use the Sourcebook to improve local schools, and it is also expected to be useful to superintendents, legislators, and State-level personnel.

The results of NIE research are also disseminated very widely through the press and the media. Recently, for example, Educational Testing Service, which has an NIE grant to operate the National Assessment of Educational Progress program (NAEP), released preliminary results of a new national assessment of the reading and writing achievement of students. Many newspapers and journals have reported these findings, which include the encouraging fact that in 1984 teachers assigned more homework than they did in 1980, apparently in response to the nation's education reform movement, including recommendations of the National Commission on Excellence in Education. The findings of the Commission on Reading, which recently released its report titled Becoming A Nation of Readers, have also received wide publicity.

A final example of NIE's dissemination efforts is the Educational Resources Information Center system (ERIC), a large, widely-used bibliographic abstracting and retrieval system. ERIC is used nearly 3 million times per year, through more than 3,000 different organizations in the U.S., to identify and retrieve education-related documents.

LAB AND CENTER FUNDING

Question: How much are you spending in fiscal year 1985 on labs and centers? How much do you expect to spend the next year after the competition on labs and centers?

Answer: In fiscal year 1985 the funding for labs and centers is $31.3 million, which includes costs for planning grants and review costs associated with the competition. In fiscal year 1986 we are requesting a funding level of $30.0 million for the labs and centers.

Question: Since you are planning to increase the number of these institutions, are you also planning to increase the amount of funding for labs and centers?

Answer: Currently, the average laboratory is funded at $1.7 million, with the highest funded laboratory receiving $3.2 million per year and the lowest receiving $800,000 per year. The average center is funded at $1 million per year with the highest funded center receiving $2.0 million and the lowest receiving $800,000 per year. Following the competition we will be able to maintain the general average of $1.7 million at each laboratory, and $1 million per center even with the increased number of institutions. This means that some laboratory regions and research centers could experience a decrease, but it also means that other regions, including two that currently have no labs at all, will experience a dramatic increase. We believe that our funding formula will produce an equitable distribution of laboratory and center resources across all regions and topics. We will also encourage and support the efforts of laboratories to gain additional funding, particularly from State and local educational agencies and organizations in their regions. In the past, several laboratories have been very successful in such an effort, for example the Northwest Regional Education Laboratory where NIE support now accounts for less than 50 percent of the operating funds.

It is also important to point out that we have not yet negotiated any of the contracts or grants. Therefore, we do not know what the bidders will propose for their budgets for the labs and centers. The final awards for the new labs will be announced in July, 1985 and the Center awards will be announced in November, 1985.

RESEARCH PRIORITIES

Question: Several weeks ago, Secretary Bennett announced that he had asked nine leading educational scholars to serve in an advisory capacity on the Department's research agenda. Is this in addition to the National Council on Educational Research which also provides policy guidance to the Institute?

Answer: Yes, this is in addition to the National Council on Eductional Reseach which is a statutory policymaking group for the Institute.

Secretary Bennett appointed nine distinguished scholars to examine the research activities of the entire Department of Education and to consult with him on education research priorities. Secretary Bennett asked these scholars to focus on areas of American education where research activities hold the greatest promise for assisting in educational improvement, and then on how the Department of Education's current research program match these areas. As part of the request, Secretary Bennett asked the scholars to review the "grant information package" provided by the Institute to applicants in conjunction with the ongoing competition for research centers. We expect that the Secretary will soon publish in the Federal Register additional information for applicants to the center competitions, based on his consultations.

OERI REORGANIZATION

Question: Secretary Bennett recently announced the organization of a task force to study the reorganization of the Office of Educational Research and Improvement (OERI). Who is on the task force and what is the objective of their work?

Answer: On April 16, 1985 Secretary Bennett announced that he is reviewing the organizational structure of OERI. Earlier in the year, President Reagan directed the Secretary to examine ways to improve management and effectiveness within the Department's various offices.

Wendell Willkie, chief of staff and counselor to the Secretary, is heading up the effort to develop options and recommendations to improve the structure of OERI. Emerson Elliott, Acting Secretary for Educational Research and Improvement, is also participating in this effort. Others involved are Gary Bauer, Deputy Under Secretary for Planning, Budget and Evaluation, and Under Secretary-designate; Linda Combs, Deputy Under Secretary for Management; and Anne Graham, Assistant Secretary for Legislation and Public Affairs.

Question: What provisions will there be for the public to have input into the process?

Answer: The Secretary's announcement that he is reviewing the organization of OERI also included an invitation for comments and suggestions from the education community and the general public. Responses may be sent to Frances Norris, Deputy Assistant Secretary for Legislation.

Additionally, two days of hearings were recently held by the House Select Committee on Education concerning reauthorization of the National Institute of Education, a component of OERI. Many of the witnesses at these hearings testified about the organization of OERI. The Department is considering this testimony in its review.

Question: What impact would reorganization have on research activities, funding, and planning for FY 1986?

Answer: Our best estimate of the activities to be undertaken in fiscal 1986 is that contained in the Justification of Appropriation Estimates, as well as in answers to these questions submitted for the record. Reorganization, assuming the Secretary decides to change the existing structure, is not expected to affect the nature of the research activities and funding which we have described. Assuring maximum efficiency and effectiveness in program administration is the focus of the review now under way.

Question: Does the Department plan to submit reorganization legislation or to proceed under section 413 of the Department of Education Organization Act?

Answer: That issue has not yet been decided. In any case, we do expect to submit a proposal to reauthorize the research activities of the National Institute of Education.

Questions Submitted by Senator William Proxmire

NATIONAL COUNCIL ON EDUCATIONAL RESEARCH

Question: Over the past few years the Council's expenses have more than doubled, growing from $136,600 in fiscal year 1983 to $331,000 last year. How do you account for this?

Answer: In fiscal year 1983 the National Council on Educational Research did not operate on a budget independent of the National Institute of Education until the middle of the fiscal year. At that time, there was a staff of four and a Council consisting of twelve members. As you know, since fiscal year 1983 three additional members have been added to the Council bringing the total to fifteen.

For five months of fiscal year 1983 salaries and benefits totalled $133,000 and travel expenses totalled $3,000. The budget increase in fiscal year 1984 is partially due to the Deputy Director staff position being filled, bringing the staff total to five, thus increasing salaries and benefits. An increase in fiscal year 1984 of $46,000 in travel expense was incurred due to three additional members being appointed and to additional travel, such as site visits, committee meetings, work sessions, and participation in the historic laboratory and center competition. Also, approximately $27,000 was spent on publishing annual reports covering two fiscal years.

Question: What's the current budget and how much is estimated next year?

Answer: The current fiscal year 1985 budget for the National Council on Educational Research (NCER) is $376,600. We estimate that the level will be the same in fiscal year 1986.

Question: For the record, provide the Council's current budget and next year's estimated budget.

Answer: The table below summarizes this information:

Budget of the National Council on Educational Research

($ in thousands)

	Fiscal Year 1985	Fiscal Year 1986
Personnel Compensation and Benefits	$293.8	$293.8
Travel	41.4	41.4
Other (Printing, Supplies etc.	41.4	41.4
Totals	376.6	376.6

CONTRACTING OUT NCES ACTIVITIES

Question: I notice six staff reductions are planned next year in the Office of Educational Research Improvement, Mr Senese. Part of this would be accomplished by contracting out some of the research and analysis now carried out by the National Center for Educational Statistics (NCES). Why can't these activities continue to be done in-house? What sort of studies are we talking about?

Answer: The Department of Education, in line with OMB Circular A-76, is conducting a productivity review of various functions of NCES. This review will determine whether these functions can be carried out at a lower cost by other governmental agencies or the private sector. The National Center already contracts out most of its activities, in contrast to other general purpose statistical agencies such as the Bureau of the Census and the Bureau of Labor Statistics where the preponderance of data collection and reporting activities are carried out in-house. The current review will determine if functions done mostly in-house such as publication development and statistical information dissemination can be done with less manpower by other sectors. These functions can be and are performed in-house. However, all functions except those that involve national security or contract monitoring are subject to A-76 productivity reviews. These reviews, through a competitive bid process which entails the preparation of a detailed performance work statement, help to determine whether it is more cost efficient for the current agency, another Government agency, or a private contractor to perform certain functions.

Question: How would the contract be awarded — competitive bid or sole source?

Answer: Circular A-76 calls for a competitive bid process whereby the Center has the option of being one of the bidders.

Question: How much money are we talking about?

Answer: At this time, the functions to be reviewed are being determined by the Department. Performance Work Statements must then be developed. A cost estimate will not be available until that time. Additionally, some details have not been worked out such as how to reconcile the fact that the work to be contracted out is programmatic and therefore must be paid for under the program funds appropriation while the targeted funds reduction is from the salary and expense appropriation.

Questions Submitted by Senator Lawton Chiles

NIE FUNDING BY REGION

Question: Please provide for the record a breakdown of funds spent by your agency by region of this country, using the traditional definition of the Southeast. I am particularly interested in seeing over the last five years the National Institute of Education (NIE) funds that have gone to Florida.

Answer: The following is the breakdown of NIE funding by regions from fiscal year 1980 to fiscal year 1985:

NIE Funding by Region
Fiscal Year 1980 - Fiscal Year 1985
($ in millions)

Region	FY '80	FY '81	FY '82	FY '83	FY '84	FY '85*	TOTAL FUNDING
NORTHEAST	$23	$19	$13	$17	$18	$11	$101
SOUTHEAST	7	4	4	5	2	2	24
MIDWEST	12	15	13	11	9	9	69
SOUTHWEST	5	4	3	3	3	3	21
WEST	25	24	20	20	16	12	117
FY TOTAL FUNDING	$72	$66	$53	$56	$48	$37*	$332

The NIE funds which went to recipients in Florida were: fiscal year 1980 $230,000; fiscal year 1981 $8,411; fiscal year 1982 $17,113; fiscal year 1983 $58,811; fiscal year 1984 $52,117 and fiscal year 1985 $46,250.

*Represents obligations from October 1, 1984 through January 31, 1985.

NIE READERS

Question: Please provide for the record a list of readers for the lab, center and discretionary grants by State and region.

Answer: The following insert for the record is a summary of numbers of reviewers by geographic regions of the country. Also inserted for the record is the detailed list of the names and addresses of the technical review panel for the labs and centers.

Technical Review Panels for NIE Labs and Centers

The reviewers for the National Institute of Education laboratory and center competition were drawn from every region of the country. In addition, one center reviewer is from Simon Fraser University in British Columbia.

Total Number of Reviewers in Lab and Center Competition: 122

Lab Reviewers : 24
Center Reviewers : 98

Geographic Region

	NE	SE	MW	SW	W	TOTAL
Lab	7	4	7	3	3	24
Center	34	11	17	10	25	97*

*One reviewer was from Canada

Region Breakdown

WEST	SOUTHWEST	MIDWEST	SOUTHEAST	NORTHEAST
Washington	Oklahoma	Ohio	Virginia	Maine
Oregon	Texas	Michigan	West Virginia	New Hampshire
California	New Mexico	Indiana	Kentucky	Vermont
Nevada	Arizona	Illinois	Tennessee	Massachusetts
Idaho		Wisconsin	North Carolina	Rhode Island
Utah		Missouri	South Carolina	Connecticut
Montana		Iowa	Georgia	New York
Wyoming		Minnesota	Alabama	Pennsylvania
Colorado		Kansas	Mississippi	New Jersey
Alaska		Nebraska	Arkansas	Delaware
Hawaii		North Dakota	Louisiana	Maryland
		South Dakota	Florida	Dist. of Col.
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Unit 24
Coatesville, PA

Nettie Webb, Reading Facilitator
Greenberg Central School Dist. #7
475 West Hartsdale Avenue
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Technical Review Panel: R & D Centers Planning Award Competitions

Names	Areas of Expertise
Dr. Jane Stallings Peabody Center for Effective Teaching Vanderbilt University P.O. Box 34 Nashville, TN 37203	Classroom research/effective instruction
Dr. William L. Moore 1889 Chantilly Lane Hayward, CA 94541	Management/Postsecondary Education California State University, Hayward
Dr. Janice M. Beyer 104 Charlesgate Circle East Amherst, NY 14051	Management, State and System School of Management SUNY, Buffalo

NOTE: An Asterisk (*) indicates that the person was unable to participate in the reviews for planning awards. In all cases, these were last minute changes.

Centers Panel, continued

Dr. Michael Winston 1371 Kalmia Road, N.W. Washington, D.C. 20012	Vice President for Academic Affairs Howard University (The History of Higher Education)
Dr. Lyman Glenny 3123 Lippizaner Lane Walnut Creek, CA 94598	Education Policy & Mgt. - State Level U. California, Berkeley
Dr. Barbara Reagan 10 Duncannon Court Dallas, TX 75225	Finance (State and System level) Southern Methodist University
Dr. Michael McPherson 5707 Harwick Road Bethesda, MD 20816	Economist/Williams College
Dr. Frederick Balderston * 641 Alvarado Road Berkeley, CA 94708	Management
Dr. Warren Bryan Martin Carnegie Foundation for the Advancement of Teaching #5 Ivy Lane Princeton, NJ 08540	Innovation in education; curriculum change
Dr. Dorthy Knoell, Administrator California Postsecondary Education Commission 1020 Twelth Street Sacramento, CA 95814	Community College - research on success of transfer students
Dr. Leonard Valverde Department of Education Administration - EDB310 University of Texas at Austin Austin, TX 78712	Learning problems of special student populations
Dr. Robert Fullilove Director Professional Development Program 230 Stevens Hall University of California Berkeley, CA 94720	Learning & motivation in mathematics and science learning
Dr. Robert N. Bush Chair 538 Junipero Serra Boulevard Stanford, CA 94305	Staff development and teacher education; staff evaluation policies; citizen participation in school improvement programs; Former Dean, School of Education-Stanford University

Center Panel, continued

Dr. Carl Grant Professor College of Education University of Wisconsin 225 N. Mills - Room 574 Madison, WI 53706	Teachers' roles in decision-making relative to their overall effectiveness
Dr. Judith Lanier Dean College of Education 501 Erickson Hall Michigan State University East Lansing, MI 48824-1034	Research on teaching; teacher preparation, selection and retention
Dr. Dorothy Shipman Ball State University - TC 318 Muncie, IN 47306	Reading instruction
Dr. Charles Tesconi College of Education and Social Studies Waterman Building University of Vermont Burlington, VT 05405-0036	Social functions of education; history and philosophy of American education
Dr. Willis Hawley Dean, Vanderbilt University Nashville, TN 37212	Effective schools research; reform in teacher education
Dr. Maxine Greene * Teachers College Columbia University New York, NY	Educational philosophy; interdisciplinary studies in teacher education
Dr. Phillip Schlechty School of Education University of North Carolina Chapel Hill, NC 27514	Teacher recruitment and retention; teacher development; career ladders
Dr. Brian Rowan Far West Laboratory for Educational Research and Development San Francisco, CA	Effective schools; analysis of social systems and their impact on schooling
Dr. Margaret Wang Learning Research and Development Center University of Pittsburgh	Classroom research with emphasis on instruction for the handicapped
Dr. Lester M. Solomon Director Teacher Assessment Georgia State Department of Education 1858 Twin Towers, East Atlanta, GA 30334	Performance assessment of teachers and its impact on school programs

Centers Panel, continued

Dr. Margaret E. Goetz * Division of Education Policy Research Education Testing Service Rosedale Road Princton, NJ 08541 - Stop 08-R	Impact of State legislation on school effectiveness
Dr. Douglas Mitchell School of Education University of California Riverside, CA 92521	State and local policies on curriculum and personnel and their impact on overall school effectiveness
Dr. Myrna Cooper Director New York City Teacher Center Consortium 48 E. 21st. Street - 6th Floor Portland, OR 97227	Results of research and their impact on classroom performance of teachers
Dr. Sylvia Johnson 301 Gilson Court Silver Spring, MD 20902	Measurement and evaluation methodology
Dr. Freda Holley 12203 Mustang Chase Austin, TX 78727	School and district evaluation programs Asst. Superintendent, Secondary Schools
Dr. Valeria Ford Division of Quality Assurance D.C. Public Schools Washington, D.C.	Measurement and evaluation methodology and implementation
Dr. Benjamin Bowser University of California Santa Clara	Curriculum and Testing
Dr. Pasqual D. Forgione, Jr. Chief Bureau of Research and Planning State of Connecticut Department of Education Box 2219 Hartford, CT 06145	Large-scale test development and administration programs; policy analysis
Dr. Lee J. Cronbach 16 Laburnum Road Altherton, LA 94205	Educational measurement and evaluation theory; Professor Emeritus, Stanford University
Dr. Paul Williams Chief Program Assessment Branch Division of Instruction Maryland Department of Education 200 West Baltimore Street Baltimore, MD 21201	Development and implementation of testing programs, evaluation policies (State level)

Centers Panel, continued

Dr. Raymond S. Nickerson Bolt, Beranek & Newman 10 Moulton Street Cambridge, MA 02238	Cognitive psychology; practical application of research findings; thinking skills
Dr. Nancy Stein 6736 Palmetto Park Circle South, Apt. 102 Boca Raton, FL 33433	Developmental psychology; research in children's awareness of text structures; University of Chicago
Dr. Geoffrey Saxe Department of Education Moore Hall University of California, Los Angeles, CA 90024	Cognitive development of mathematical concepts
Dr. Pamela Gay Director, Writing Center Old Dominion University Norfolk, VA	Research in writing and writing instruction
Dr. James Minstrell Mercer Island School District 400 9100 South East 42nd Mercer Island, Washington	Science instruction, secondary school; his research has documented the misconceptions of beginning physics students; current practitioner, secondary level
Dr. Richard Duran Educational Psychology Program Graduate School of Education University of California Santa Barbara, CA 93106	Cognitive psychology; learning and problem-solving in bilingual student populations
Dr. Martin Johnson Department of Curriculum and Instruction College of Education University of Maryland College Park, MD 20742	Mathematics learning in the elementary grades
Dr. John Bransford Box 45 Peabody College Vanderbilt University Nashville, TN 37203	Cognitive psychology; innovative research on constructive processes in learning from text
Dr. Jerome T. Murphy Associate Dean and Professor Harvard Graduate School of Education Longfellow Hall Appian Way Cambridge, MA 02138	Educational policy development

Centers Panel, continued

Dr. Gordon Tullock Senior Editor, Public Choice Holbert R. Harris University Professor George Mason University 4400 University Drive Fairfax, VA 22030	Public choice in education
Dr. James Phelps Associate Superintendent for Planning and School Management Michigan State Department of Education P.O. Box 30008 Lansing, MI 48909	Education finance
Dr. Jane Hannaway Woodrow Wilson School of Public and International Affairs Princeton University Princeton, NJ 08544	Local education issues
Dr. Arthur Powell 46 Sacramento Street Cambridge, MA 02138	Secondary Schooling; National Association of Independent Schools
Dr. Ann Bouie Project Interface 8500 A Street Oakland, CA 94621	Mathematics instruction & under-achieving urban students
Dr. Jean Erdman Department of Curriculum and Instruction College of Education and Human Services University of Wisconsin - Oshkosh Oshkosh, WI 54901	Writing across the secondary school curriculum
Dr. Linda McNeil 2005 Dryden Street Houston, TX 77030 (Rice University)	School and district administrative decisions and their impact on instructional processes
Dr. William Pink 1211 McGee - Room 711 Kansas City, Missouri 64106	Student conduct and discipline problems; Kansas City Public Schools
Dr. James Vasquez Director Bilingual Education College of Education University of Washington 122 Miller Hall DQ-12 Seattle, Washington 98195	School-University collaboration; inservice education

Centers Panel, continued

Dr. Kenneth Howey 2605 Silver Lane, N.E. Minneapolis, MN 55421	Teacher conditions and impact on instruction, inservice education; University of Minnesota
Dr. Victor Rentel Chairman Education Administration Ohio State University Columbus, OH 43210	Research in language acquisition problems
Dr. Lester Faigley Department of English University of Texas at Austin Austin, TX 78712	English education
Dr. Dixie Gooch Goswami* Department of English Clemson University Clemson, SC 29631	Writing research
Dr. Gladys Knott Teacher Development and Curriculum Kent State University Kent, OH 44242	Research in writing instruction
Dr. Carol Kuykendall Houston Independent School School District 3830 Richmond Avenue Houston, TX 77027	Administration of writing instruction
Dr. Walter Hathaway Director Research, Evaluation and Testing Portland Public Schools 501 North Dixie Street Portland, OR 97227	Innovation in testing and evaluation methodology
Dr. W. Charles Read Departments of English and Linguistics University of Wisconsin Madison, WI 53706	Linguistics
Dr. Raymond J. Rodriques Department of Curriculum and Instruction Box 3C New Mexico State University Las Cruces, NM 88003	Writing research, language arts and role of technology in language arts and writing instruction

Centers Panel, continued

Dr. Frank Macchiarola Chair President and Chief Executive Officer New York City Partnerships, Inc. 200 Madison Avenue New York, NY 10016	Political Science, Former Chancellor NYC Schools, Business-Schools Partnerships
Dr. Donna Miles * Manager, Management and Technical Training ARCO Petroleum Products, Inc. Room 527 515 Flower Street Los Angeles, CA 90071	Corporate training
Dr. Anthony Carnevale Vice President for Government Affairs and Chief Economist American Society for Training and Development Suite 305 600 Maryland Avenue, S.W. Washington, D.C. 20024	Labor economics
Dr. Rachel Rosenfeld Department of Sociology 155 Hamilton Hall 070A University of North Carolina Chapel Hill, NC 27514	Sociology/Occupational Structure
Dr. Richard Nelson ISPS Yale University 111 Prospect Street New Haven, CT 06520	Economist/Economic Growth
Dr. Harley Schaiken Department of Science, Technology, Society Massachusetts Institute of Technology Building E-51, Room 210 A 77 Massachusetts Avenue Cambridge, MA 02139	Industrial Relations/Technology, Industry and Society
Dr. Richard Steers Associate Dean for Academic Affairs College of Business Administration University of Oregon Eugene, Oregon 97403	Management

Centers Panel, continued

Dr. Alfredo de los Santos * Maricopa Community College 3901 E. Washington Street Phoenix, AZ 85034	Learning problems of special student populations
Dr. Vincent Tinto 835 Livingston Avenue Syracuse, NY 13210	Sociology/Student Retention His research is basis for much work on student persistence in college
Dr. Lucy Cromwell Alverno College Milwaukee, WI 53215	
Dr. Esteban Diaz 1278 Cuymasa Avenue Chula Vista, CA 92011	Research in the area of alternative assessment methods and the use of tests for educational placement.
Dr. Walter Doyle RDCTE Education Annex University of Texas Austin, TX 78712	Research in classroom instruction
Dr. Steve Bossert * Department of Education University of Utah Salt Lake City, Utah 84112	Sociology, effective schools
Dr. Steve Arvizu Graduate Studies and Research California State College Bakersfield 9001 Stockdale Highway Bakersfield, CA 93311-1099	Anthropology, classroom research
Dr. Jere Brophy * Institute for Research on Teaching Michigan State University East Lansing, MI	Human Development, classroom interaction research
Dr. Linda Winfield Data Service Center 4 Mount Lebanon Road Wilmington, DE 19803	Research in school factors related to student learning, child development. Research Coordinator, Wilmington, DE Public Schools
Dr. Louise Cherry Wilkinson Graduate School City University of New York (CUNY) 33 W. 42nd Street New York, NY 10036	Educational Psychology, research in effective student-teacher interaction

Question: What, if any, steps have you taken to assure geographical balance in the award of National Institute of Education (NIE) grants? We have vital educational research going on in Florida and the Southeast; our universities and research capacity are expanding; and I would like to know how NIE's funds are following the shifts in population and research capacity?

Answer: NIE awards funds through the conduct of national grant and contract competitions. Decisions are made in accordance with priorities established by Congress, the Secretary, and the Institute and are based largely upon the advice of peer review panels comprised of experts from outside the agency. Dr. David Smith, Dean of the College of Education at the University of Florida, was one of four national experts who helped create the current NIE peer review policy. Thus, in the majority of cases, national need, technical merit, and promise for improving education nationwide are determining factors, with such other factors as geographical balance taken into consideration secondarily.

Given budget levels in recent years, little discretionary funding has been possible, and few new grants have been awarded. The bulk of NIE funds have been used to continue large institutional grants and contracts, such as the labs and centers. Under the current competition for lab and center awards--the first in twenty years of lab/center funding--the Southeast Regional Council and Georgia State University have won one planning grant each, and Florida State University has won two.

Geographical considerations do play an especially important role under certain circumstances. NIE funds a national network of educational laboratories to serve specific regional needs. The Southeast Regional Council for Educational Improvement, of which Commissioner Ralph Turlington is a board member, serves Florida and the adjacent region. NIE also seeks to achieve regional representation in the composition of peer review groups whose advice contributes to funding decisions. Residents of Florida--in particular, members of Florida schools, colleges, and universities--have served on those groups in the past. Barbara Newell, as Chancellor of the Florida State University System, served as a peer advisor and chair on NIE's select study group on Postsecondary Education, and participated on the national panel for the fiscal year 1985 Laboratory and Center Competition. Several other experts from the Southeast also participated in other study groups in this competition.

LIBRARIES

STATEMENT OF DONALD J. SENESE, ASSISTANT SECRETARY FOR EDUCATIONAL RESEARCH AND STATISTICS

ACCOMPANIED BY:

MALCOLM D. DAVIS, ACTING DIRECTOR, CENTER FOR LIBRARIES AND EDUCATION IMPROVEMENT

CAROL CICHOWSKI, DIRECTOR, SPECIAL EDUCATION, REHABILITATION AND RESEARCH ANALYSIS DIVISION, OFFICE OF PLANNING, BUDGET AND EVALUATION

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Dr. Senese is also the witness for the "Libraries" account. Go ahead and proceed, Dr. Senese.

Dr. SENESE. Senator, I am accompanied by Malcolm Davis who is Acting Director of the Center for Libraries and Education Improvement, and by Carol Cichowski, on my right, from the Budget Office.

OPENING STATEMENT HIGHLIGHTS

Mr. Chairman, we appreciate this opportunity to appear before you to discuss the 1986 budget for the "Libraries" account. For fiscal year 1986, the administration is not requesting any funds for the library grant programs. This action reflects our belief that State library agencies have been strengthened through participation in these programs and should now assume responsibility for basic library services and that other sources of funds can be made available to support the other library activities.

I have submitted a copy of the statement for the record. I would just like to highlight the points that we wish to make in that statement.

We recognize the importance of maintaining high quality library services throughout the Nation. Over the past 30 years, the Federal investment in programs authorized by the Library Services and Construction Act and the Higher Education Act amounts to almost $2 billion. In addition, budgetary savings of $130.9 million in fiscal year 1986 would result from terminating the library programs in this account.

The access to public library services has now been extended to about 96 percent of the population. The Federal support has also served as seed money to stimulate State aid for public libraries. I think we can be proud of the fact that 43 States now appropriate funds for their own State aid programs, and the Federal contribution to public library services is only about 5 percent of the total spent on public libraries.

The Interlibrary Cooperation Program is also proposed for termination. States have recognized the cost-sharing benefits of interlibrary cooperation, and now 28 States are providing a total of $85 million in State aid for these purposes.

New programs providing for improved library services to Indian tribes and to native Hawaiians were authorized by the LSCA Amendments of 1984 and are being initiated in fiscal year 1985 through mandatory set-asides of $1,770,000 and $590,000, respectively, from titles I, II, and III of the LSCA.

Unlike the other LSCA funds, these funds are not awarded through the State library agencies. It is hoped that these funds, which will be awarded in September, will provide the incentive for library improvement through the direct involvement of Indian tribes and native Hawaiians in making library materials and services available to all.

The three small discretionary grant programs assisting libraries through title II of the Higher Education Act are not considered to be a critical Federal investment. The impact of eliminating them would be minimal.

The Library Career Training Program is proposed for termination as well as the Library Research and Demonstration Program and the Research Libraries Program.

We believe that library services are vital to educational excellence and lifelong learning. However, these Federal programs have strengthened State library agencies over a period of 30 years, and other sources of funding are available. There is no longer a clear need for the Department of Education to continue support for library programs.

PREPARED STATEMENT

My colleagues and I will be available to answer any questions you may have.

[The statement follows:]

STATEMENT OF DONALD J. SENESE

We appreciate this opportunity to appear before you to discuss the 1986 budget for the Libraries account. For fiscal year 1986, the administration is not requesting any funds for the library grant programs. This action reflects our belief that State library agencies have been strengthened through participation in these programs and should now assume responsibility for basic library services and that other sources of funds can be made available to support the other library activities.

We recognize the importance of maintaining high-quality library services throughout the Nation; however, over the past 30 years, the Federal investment in programs authorized by the Library Services and Construction Act (LSCA) and the Higher Education Act (HEA) amounts to almost $2 billion. In addition, budgetary savings of $130.9 million in fiscal year 1986 would result from terminating the library programs in this account.

Proposal to Terminate LSCA Programs

Of the $125 million appropriated for the Libraries account in fiscal year 1985, over 90 percent was for programs authorized by the Library Services and Construction Act and administered by the States. One of these programs, Public Library Services, has for all practical purposes met its goal of extending access to the services of public libraries to all segments of the Nation's population and is therefore being proposed for termination. Access to public library services has now been extended to about 96 percent of the population. Federal support has also served as seed money stimulating State aid for public libraries. At present, 43 States appropriate funds for their own State-aid programs, and the Federal contribution to public library services is only about 5 percent of the total spent on public libraries.

The Public Library Construction program shares with the Public Library Services program the goal of extending access to the services of public libraries to all segments of the Nation's population. Funds appropriated during the past 21 years for the construction of new facilities, additions, renovation, and remodeling have enabled the States to provide the basic library facilities necessary to serve the public. State governments should now assume responsibility for further construction, where necessary. Their ability to assume this task is indicated by their matching the 1983 grants by a ratio of 2:1, instead of the required average matching of 1:1.

The Interlibrary Cooperation program is also proposed for termination. The Federal seed money of over $94 million has stimulated projects linking libraries through telecommunication systems, established resource sharing projects not linked to automation, and advanced the training of library personnel to handle resource sharing and the technological advances inherent in more complex library networking. Even in the absence of required matching, States have recognized the cost-sharing benefits of interlibrary cooperation, with 28 States now providing a total of $85 million in State aid for these purposes.

New programs providing for improved library services to Indian tribes and to native Hawaiians were authorized by the LSCA Amendments of 1984 and are being initiated in fiscal year 1985 through setasides of $1,770,000 and $590,000, respectively, from mandatory setasides from LSCA titles I, II and III. Unlike the other LSCA funds, these funds are not awarded through the State library agencies. It is hoped that these funds, which will be awarded in September, will provide the incentive for library improvement through the direct involvement of Indian tribes and native Hawaiians in making library materials and services available to all.

Discretionary Library Programs in the Higher Education Act

The three small discretionary grant programs assisting libraries through title II of the Higher Education Act are not considered to be a critical Federal investment. The impact of eliminating them would be minimal.

The Library Career Training program is proposed for termination because there is no longer a critical shortage of librarians. Adequate Federal and State grant and loan programs for students are now available to support the training of needy persons as librarians and information specialists, thus eliminating the need for this small categorical program.

The Library Research and Demonstrations program, also proposed for termination, has generated new knowledge and uses of the new technology in library and information science; however, such research has been and will continue to be conducted by the Department of Education's National Institute of Education and its National Center for Education Statistics, by other Federal agencies such as the National Endowment for the Humanities, and by private foundations and research groups.

The Research Libraries program, which has stengthened many of the Nation's major research libraries through projects supporting materials acquisition, preservation of materials, and bibliographic control and resource sharing, should now be terminated. Private sources of funds, as well as funds from other Federal agencies such as the National Endowment for the Humanities, are available for further research library needs.

Conclusion

We believe that library services are vital to educational excellence and lifelong learning. However, these Federal programs have strengthened State library agencies over a period of 30 years, and other sources of funding are available. There is no longer a clear need for the Department of Education to continue support for library programs.

My colleagues and I are available to answer any questions you may have.

TERMINATION OF FEDERAL LIBRARY PROGRAMS

Senator **WEICKER**. I don't really think that it makes much sense to waste time on this.

I think, first of all, that your main problem is not me, it is Senator Hatfield, who is chairman of the Appropriations Committee. Your second problem, after him, is me. I don't think Congress is going to eliminate the library program, and I don't think that Congress should.

Again, the bottom line is that we are 49th among 158 nations of the United Nations in terms of the illiteracy level, and that is what libraries are all about.

It is estimated that in the United States today, approximately 27 million adults, 1 in every 5, are functionally illiterate, unable to perform the simplest tasks of reading and writing. I can't think of anything that more directly relates to that than a great library system.

I have your statement, and we will accept it as such. I really have no questions. I think your request speaks for itself. I think that it also speaks to the intelligence of the administration.

There will be further questions on libraries for response to the record.

GENERAL REVENUE SHARING

Just out of curiosity, if the administration's proposal to terminate general revenue sharing were accepted, what would be the implications for library services? In other words, how much in the way of general revenue sharing is used for libraries?

Ms. **CICHOWSKI**. We will have to provide that for the record.

[The information follows:]

GENERAL REVENUE SHARING FUNDS FOR PUBLIC LIBRARIES

It should first be pointed out that less than 1 percent of the general revenue sharing funds are used to fund public libraries. A total of $76 million was expended for public library services and capital improvements by local governmental bodies in fiscal year 1983, the latest available data from the U.S. Department of the Treasury. It is likely that library services would be cut somewhat in those cases where local governments are unable to replace lost Federal funding.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **WEICKER**. All right, I thank you very much.

Dr. **SENESE**. Thank you, Senator.

Senator **WEICKER**. There will be further questions for response to the record.

Senator Andrews will take over the Chair at this time as I have to testify before the Rules Committee on the Small Business Administration's budget which is scheduled for the same treatment as libraries.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

PUBLIC LIBRARY SERVICES TO TARGETED INDIVIDUALS

Question: Your justifications indicate repeatedly that there is no need for the Federal Government to be involved in providing public library services. What specific groups or individuals are targeted for services under Federal library programs?

Answer: Under the Public Library Services program funds are targeted to these specific groups: those who lack library services or for whom services are inadequate; those who by reason of distance, residence, handicap, age, literacy level, or other disadvantage are unable to receive the benefits of public library services regularly made available to the general public; those in State-supported institutions; those who are blind or otherwise physically handicapped; those with limited English-speaking proficiency; and those who are aged.

BASIC AND FUNCTIONAL ILLITERACY IN AMERICA

Question: Your justification states that "budgetary savings would result from terminating the programs in this account." Do you have any estimates of the cost of illiteracy to our society?

Answer: An accurate estimate is not available, but functional illiteracy undoubtedly costs our society a great deal in decreased productivity, lost tax revenues, and an increased crime rate. However, the small amount of Federal funds used for literacy projects under the Public Library Services program is relatively insignificant, and public libraries will probably continue literacy projects with local funds if the Federal program is terminated.

Question: Former Education Secretary Bell began a literacy initiative in 1983. What is the status of that initiative?

Answer: The Department's National Adult Literacy Initiative, which resulted from the President's initiative on adult literacy, is still making progress toward defining the Federal role and coordinating efforts among the many Federal programs which have a literacy component. State governments have also been encouraged to give greater attention to literacy. Largely in response to letters from former Secretary Bell and follow-up calls, 21 States now have significant literacy activities and 24 States are planning increased literacy activities. We are also cooperating with the Coalition for Literacy and the Advertising Council in their mounting of a National Literacy Awareness Campaign; that campaign has begun in most of the targeted cities.

Question: How much in Federal dollars has been spent on this initiative to date?

Answer: The National Adult Literacy Initiative does not award grants, unlike most of the other programs in the Department. However, it has been able with little support funding to enhance the use of existing Federal program funds for increasing literacy training throughout the Nation, as well as fostering the statewide activities mentioned above.

Question: According to the Business Council for Effective Literacy, the combined efforts of governments and the private sector are only treating about 5 percent of the illiteracy problem. What more could the Federal Government do to promote literacy programs and reach those most in need of specific assistance?

Answer: Continued and improved coordination of efforts is called for among the other Federal agencies that have literacy-related programs, such as Health and Human Services, Labor, State, Defense, Justice, Interior, and the Veterans Administration. Also, more and better data on literacy in the United States must be gathered. Research must be continued to learn how best to teach adults who for whatever reason have not reached their full potential. More study must be given to the implications of existing research findings and of recent technological advances for the teaching of adults. The Adult Literacy Initiative is attempting to address all these areas of need and will continue to do so.

Question: Once again we are faced with a request to terminate all Federal aid to public libraries. It is estimated that in the U.S. today, approximately 27 million adults (1 in 5 persons) are functionally illiterate, unable to perform the simplist tasks of reading and writing. And that number seems to be growing. In your opinion, should the Federal Government be concerned about the illiteracy problem?

Answer: The President was so concerned about illiteracy that he created the National Adult Literacy Initiative to deal with the problem. The Adult Literacy Initiative Office within the Department of Education cites UNESCO data on basic literacy, which is based on census data from member countries, indicating that the United States has a basic literacy level of 99%. However, as you have stated, there are some 27 million U.S. adults who are functionally illiterate, a term which is necessarily defined differently from country to country. It would be enormously difficult to make a simple quantitative comparison of functional literacy data among countries with widely different societies, populations and stages of development.

LITERACY PROJECTS IN PUBLIC LIBRARIES

Question: Are you aware of the extent to which community libraries are using their Federal dollars for literacy projects?

Answer: A recent report completed by the Department covers the use of Library Services and Construction Act funds for literacy activities from fiscal year 1980 to 1984. Funds spent almost tripled from $1.5 million in fiscal year 1980 to $4.2 million in fiscal year 1984.

NEED FOR PUBLIC LIBRARY CONSTRUCTION

Question: What is the Department's estimate of the short- or long-range need for construction of new libraries and renovations of existing structures from State plans you have received?

Answer: We have no estimate at this time. The absence of Federal funds for library construction has resulted in the elimination of construction from plans received from the States. However, the States are now amending their long-range plans and annual programs to include construction projects, as a result of the appropriation of funds for fiscal year 1985.

Question: What types of construction or renovation projects are being supported with the fiscal year 1985 appropriation for library construction?

Answer: Nearly the entire range of eligible public library construction projects is being supported, including construction of new buildings, additions, renovation, general remodeling, and special remodeling for energy conservation, for handicapped accessibility, and for the use of new technologies.

Question: Approximately how much in non-Federal funds will be generated by the States as a result of the availability of a $25 million Federal appropriation for library construction?

Answer: The amount available for construction is $24.5 million after the mandatory setasides are taken for services to Indian tribes and native Hawaiians. This amount is expected to generate about $50 million in State and local matching funds.

TECHNOLOGY AND THE INTERLIBRARY COOPERATION PROGRAM

Question: To what extent has the need for new technologies affected the budgets of State and local libraries?

Answer: Technology has had the effect of shifting the focus of many public library budgets from the cataloging of books and materials to subscribing to linked bibliographic data services. Although the purchase of microcomputers and new software, steadily growing telecommunication costs, and the resurgence of telefacsimile use have increased the cost of providing service in the modern library, reduced personnel costs and acquisitions of books and materials have offset this increase in some cases.

Question: What information do you have that the States will be able to assume the costs of such needed information technologies without any Federal support?

Answer: States have been reporting operating surpluses during the past year or two, as compared to the Federal Government's worsening deficit. The importance of interlibrary cooperation and networking have been demonstrated to the States, through the seed money provided by this program. The States have responded positively, with 28 States in 1984/1985 supporting this concept with almost $85 million in State aid, even though there is no requirement for matching funds under the Interlibrary Cooperation program.

Question: What types of programs are funded under the Interlibrary Cooperation program?

Answer: States have used Interlibrary Cooperation program funds to support more than 200 library networks, consortia and other combined activities designed to provide the following library services:

o Accessibility to one or more of the 2,600 online information databases being offered by over 350 profit and non-profit organizations worldwide;

o Development and support of statewide and/or multi-State automated library databases which note the location of library materials for users;

o Support of library acquisitions, cataloging, interlibrary loans, circulation control, serials control, and reference services through available automated networks of bibliographic utilities, such as the Online Computer Library Center (OCLC);

o Statewide or regional delivery service for materials requested on interlibrary loan by libraries;

o Film booking service for libraries;

o Teleconferencing among libraries;

o WATS lines for libraries;

o Library automation consultants for assistance in planning and designing network systems;

o Training for library staff in planning and implementing technology based activities and public user services; and

o Support for library personnel involved in regional networks of libraries, such as the 18 Illinois regional library systems.

Question: To what extent does this program result in actual savings of dollars due to better resource sharing among libraries?

Answer: In the area of linked bibliographic systems for libraries, it has been projected that in less than five years, three-fourths of all records of public libraries will be machine readable and contained in a statewide online database. The three major utilities that provide computer tapes, primarily from the Library of Congress, are the Online Computer Library Center (OCLC), Research Libraries Information Network (RLIN), and the Washington Library Network (WLN). Processing costs for libraries have been cut in half. Membership fees, often paid with funds from this program, continue to be a significant cost factor for smaller public libraries.

Commercially available online computer-based information services have proliferated from 400 in 1979 to 2,600 databases identified as being on the market today. Libraries have used Federal funds for purchasing these services to improve their information service capability. Concomitantly, funds devoted to book and periodical purchases are increasingly found to be more effectively directed toward cooperatively purchasing a membership to a computer-based information service.

Libraries have sought to link their phones, TWX's, teletype and, increasingly, their microcomputers, in cooperative projects funded by this program in order to:

o provide awareness to the holdings of each other's book and periodical collection. Administrative spin-offs have led to decisions by a library to not purchase materials in fields where adjoining libraries may have already developed an outstanding collection with resultant cost savings;

o provide rapid information for users as to the location of requested materials in another library; and

o support computer-based cooperative library circulation and acquisition systems at the local level.

Evaluation data indicated that the Interlibrary Cooperation program has stimulated all States to participate in formal multi-State cooperative organizations. The only current authority the Pennsylvania State Library has for working toward sharing of resources and equalization of access is this program. With our help, the St. Louis Public Library serves as a major resource center for a two-State area. Local taxpayers could not carry the full burden, and per-capita State aid was recently cut back because the city's population had dropped.

LIBRARY CAREER TRAINING AND OTHER FEDERAL STUDENT AID

Question: What will be the average fellowship award under the Library Career Training program of the Higher Education Act in school year 1985-1986?

Answer: There are 72 fellowships, averaging $8,819. Of this amount, the student gets $4,409 and the institution gets $4,409. The institution must waive tuition for fellowship recipients.

Question: How do these fellowships compare to the total educational expenses that the student incurs?

Answer: At a northeast private college, a graduate student's estimated costs for a school year and summer study would be $20,700 for tuition, lodging, books, food, etc. With the fellowship of $4,400 and a tuition waiver of $12,200, the student's out-of-pocket costs are $4,100. At a southwestern State university, a student's estimated costs for a school year and a summer study would be $8,450 in total; with the $4,400 fellowship and $800 tuition waiver, out-of-pocket costs are $3,250.

Question: What are the implications of the fiscal year 1986 student aid budget proposals for career training in librarianship?

Answer: Since all the fellowships recently supported under the Library Career Training program have gone to either minority or economically disadvantaged persons, most of them would also qualify under the proposed eligibility standards for Federal student aid.

PRIORITIES FOR LIBRARY RESEARCH FUNDING

Question: What do you believe is the most important area for research in library sciences?

Answer: Technology and its implications for information storage, transfer, and access is probably the single most important area of library research at present.

Question: You note a number of possible projects for fiscal year 1985 funding in your budget justification. How many projects will be funded and what will be the approximate size of the grants?

Answer: Four library research or demonstration projects, averaging $90,000, will be funded with the 1985 appropriation of $360,000.

Question: If your budget proposal were not enacted, what types of research would be funded under this program?

Answer: If funds were to be available for research in fiscal year 1986, tentative plans call for funding a study of the relationship between technology/networking and school media centers; another might be a study of school library resources and the needs of bilingual students; and, finally, a demonstration project for the improvement of library services to Indian tribes.

QUESTION SUBMITTED BY SENATOR WILLIAM PROXMIRE

CHANGING ROLE OF PUBLIC LIBRARIES

Question: Mr. Senese, when the National Commission on Libraries and Information Science testified before us last year, they were full of new ideas and new directions for the future of the country's libraries. They stated that the role of libraries was expanding rapidly beyond its traditional role as depositories and developing into community-wide centers. Why shouldn't there be any Federal funds to help in the transition?

Answer: Many of the changes now occurring in public library services delivery are the result of projects supported by Federal funds under the Library Services and Construction Act. The programs under this act have been administered by the States using the Federal formula grants to reach disadvantaged persons through innovative projects. In the process, the State administrative agencies gained new experience and were strengthened in their ability to assist their local public libraries to become better "information" centers. Most States are in a strong position to assume a leadership role in the provision of public library services, with nearly all States now having programs of State aid to local libraries.

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Impact Aid

STATEMENT OF LAWRENCE F. DAVENPORT, ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

ACCOMPANIED BY:

LOIS A. BOWMAN, DEPUTY ASSISTANT SECRETARY FOR ELEMENTARY AND SECONDARY EDUCATION

LAWRENCE L. BROWN, III, DIRECTOR, DIVISION OF ELEMENTARY, SECONDARY, AND VOCATIONAL ANALYSIS, OFFICE OF PLANNING, BUDGET AND EVALUATION

PREPARED STATEMENT

Senator ANDREWS [presiding]. Our last witness this morning is again Dr. Lawrence Davenport, the Assistant Secretary for Elementary and Secondary Education.

Mr. Secretary, please proceed as you wish.

Mr. DAVENPORT. Thank you, Mr. Chairman. I think you know my two colleagues from earlier, so I will not reintroduce them.

Mr. Chairman, and members of the committee, I would like my full statement to appear for the record, and I would like to give a short summary.

Senator ANDREWS. Let me assure you, doctor, your full statement will appear in the record as though it were uttered in its every word.

[The statement follows:]

STATEMENT OF LAWRENCE F. DAVENPORT

We appreciate this opportunity to appear before you to discuss the 1986 appropriation request for Impact Aid. The President's budget contains a request of $543 million for Impact Aid program activities under Public Law 81-874. This request recognizes the urgent need to curtail expenditures in order to control the Federal deficit while maintaining the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of revenues from local sources have been adversely affected by Federal activities.

The request includes $533 million for Maintenance and Operations activities under Sections 2 and 3 and $10 million for Section 7, Disaster Assistance. The 1986 request is $152 million less than the 1985 appropriation. Most of this decrease is due to the Administration's decision to propose the elimination of payments for "b" children. These are children who reside or whose parents work on Federal property and whose presence creates no significant burden for local school districts. In keeping with the policy of focusing Federal aid on those school districts that are the most heavily burdened by the effects of Federal activities, payments will be made only to districts that enroll students whose parents both live and work on Federal property, and thus do not generate local property tax revenues.

Maintenance and Operations

Of the $533 million requested for Maintenance and Operations, $513 million, the same level as 1985, is proposed for making payments under Section 3(a), for children who reside and whose parents work on Federal property or are on active duty in the uniformed services. Funds available for payments to "Super a" districts and non-"Super a" districts will be frozen at the total amounts paid to those categories of districts in 1985. The proposed formula will provide Section 3(a) payments to heavily impacted, "Super a" districts, those districts whose "a" children make up 20 percent or more of their average daily attendance, at up to 100 percent of entitlement. The exception to this level of funding would be for payments on behalf of the children who reside in federally subsidized, low-rent housing, which will be made at up to 15 percent of entitlement. Should it become necessary to prorate payments to "Super a" districts in 1986, it is unlikely that this proration would result in payments at less than 95 percent of entitlement to any district (approximately 14 percent of entitlement in the case of children residing in low-rent housing).

Payments to non-"Super a" districts, those with "a" children amounting to less than 20 percent of their total average daily attendance, would be prorated from full entitlement to the level allowed by the available funds. The current estimate is that payments would amount to approximately 50 percent of entitlement for these districts. Again, payments for low-rent housing children would be lower--approximately 7.5 percent of entitlement.

We expect to make Section 3(a) payments to approximately 1,100 districts in 1986 under this proposal, of which about 325 are "Super a" districts.

In 1986, the Department proposes to earmark funds to cover additional sums to be paid to districts eligible under Section 3(d)(2)(B). These are districts that are particularly heavily burdened by the presence of federally connected children, that meet specific criteria in the program statute, and that do not have sufficient funds to provide a level of education comparable to similar districts in their State. Funds for 1986 payments under this provision will be frozen at the total amount of payments made under Section 3(d)(2)(B) on behalf of 3(a) children for fiscal year 1985. In line with the termination of payments for "b" children, the budget includes a proposal to limit 3(d)(2)(B) eligibility and payments to "a" children only. Section 3(b) children will not be counted for eligibility and/or payments under Section 3(d)(2)(B) in 1986.

The $20 million requested for Section 2 will result in payments of approximately 95 percent of entitlement in 1986. Full entitlement is expected to be slightly more than the $20 million requested. We estimate that Section 2 payments will be made to about 280 schools which have suffered a partial loss of tax base, totaling 10 percent or more of assessed value, due to the acquisition since 1938 of real property by the United States Government. These payments are not tied to the presence of federally connected children in the district. In fact, almost 200 districts that receive Section 2 payments do not receive payments for federally connected children because they either have no such children or they have too few to meet the program's basic eligibility criteria.

Disaster Assistance

The 1986 budget request for Section 7 is $10 million. Because the level of funds required for this activity fluctuates greatly from year to year, the budget proposal includes a request that funds remain available until expended. The Department has submitted a legislative amendment proposal to make this extended availability a permanent policy change for Disaster Assistance funds.

In 1986, we propose to continue the policy first adopted in 1981 of raising the threshold of eligibility for major disaster assistance. This threshold would be $10,000 or five percent of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred, whichever is less. The threshold contained in the program law, $1,000 or one-half of one percent of the district's current operating expenditures during the fiscal year preceding the one in which the disaster occurred, is no longer reasonable in view of increases in construction costs and administrative expenses as a result of inflation since it was enacted.

Construction

To help control the Federal deficit, no construction funds are requested in 1986. The Administration plans to request funds for the Department of Education for this program starting again in fiscal year 1987. For Section 10, which authorizes the repair and construction of facilities to serve children residing on Federal property, funds have been made available through the Department of Defense as well as the Department of Education since 1984. The

Department of Defense budget proposal for 1986 includes some $21 million for Section 10 activities.

Fiscal Year 1985 Proposed Supplemental

A supplemental proposal has been submitted to the Congress to remove from the 1985 appropriation act a "hold-harmless" provision that would perpetuate unreasonably high local contribution rates for some school districts. The Department intends to implement for 1985 an alternative "hold-harmless" provision which will not allow such high rates but will limit the reduction any school district will be required to absorb. Through this alternative provision, the Department's revised regulations will be phased in over time to prevent disruption in local school funding.

My colleagues and I will be happy to respond to any questions you may have.

Impact Aid

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Maintenance and operations:					
(a) Payments for "a" children......	$457,700	$476,630	$513,000	$513,000	$513,000
(b) Payments for "b" children......	77,600	---	130,000	130,000	---
(c) Special provisions.............	20,000	20,000	22,000	22,000	20,000
Subtotal..................	555,300	496,630	665,000	665,000	533,000
2. Disaster assistance.................	25,000	10,000	10,000	10,000	10,000
3. Construction........................	20,000	---	20,000	20,000	---
Total.....................	600,300	506,630	695,000	695,000	543,000

SUMMARY STATEMENT

Mr. Davenport. Thank you, Mr. Chairman.

We appreciate this opportunity to appear before you to discuss the 1986 appropriation request for impact aid. The President's budget contains a request of $543 million for the Impact Aid Program activities under Public Law 81-874. This request recognizes the urgent need to curtail expenditures in order to control the Federal deficit while maintaining the Federal Government's commitment to compensate school districts for the cost of educating children when enrollments and the availability of resources from local sources have been adversely affected by Federal activities.

The request includes $533 million for maintenance and operations activities under sections 2 and 3, and $10 million for section 7, disaster assistance. The 1986 request is $152 million less than the 1985 appropriation. Most of this decrease is due to the administration's decision to propose elimination of payments for "B" children. These are children who reside or whose parents work on Federal property and whose presence creates no significant burden for local school districts.

In keeping with the policy of focusing Federal aid on those school districts that are most heavily burdened by the effects of Federal activities, payments will be made only to districts that enroll students whose parents both live and work on Federal property, and thus do not generate local property tax revenues.

My colleagues and I will be happy to respond to any questions that you may have.

BURDEN OF "B" CHILDREN

Senator Andrews. Thank you very much, Mr. Secretary.

When Congress enacted this authorizing legislation for impact aid, the underlying rationale included recognition of the fact that these students do indeed constitute a burden on school districts.

On what, therefore, can you base your claim that these students pose, in your words, "no significant burden on local school districts?"

Mr. Davenport. Their parents pay taxes. For example, I live in Fairfax County, and I pay Virginia taxes, but Fairfax County used to collect funds for my kids as "B" students. In this district and other districts across this country where people are paying taxes and contributing to the local economy and also State revenues, there is no basis for the Federal Government to replace funds because funds have not been displaced. They are paying like any other taxpayer in that State.

Senator Andrews. Wouldn't a more accurate statement be that these students pose less of a burden than the "A" category?

Mr. Davenport. No, sir; they pose, in my opinion, no burden to the school district. They are just like any other students. It would be the same as if I were not connected with the Federal Government in any form, and I moved from Washington, DC, to San Diego and my children started school there just like anyone else moving to that district. "B" students are just like that; their parents would start paying taxes to the county of San Diego and also to the State. There is no burden.

PROPERTY TAX BASE IN NORTH DAKOTA

Senator Andrews. Mr. Secretary, let me look at the basic mathematics of where we are coming from. We have a school district in a rural State like North Dakota. Each farm contributes probably $4,000 to $5,000 in school taxes. That farm has possibly three children or four children going to school. Those farmers make up probably 70 to 80 percent of the school district, with an average of probably $1,500 real estate tax per student.

In that same district, you have some students whose families work for the Federal Government. They are generating no taxes except on their homes. Their homes probably generate, if they live off of the Federal reservation, one tenth as much local property tax for education as a farm. They obviously have an impact, if you have a group of Federal employees, such as the Bureau of Indian Affairs, for instance, in an area adjacent to a school district that is largely a rural farming school district.

That is the problem, you get one-tenth as much in educational funding for that local school district from the BIA employees as you get from the farm residents. How can you say that the impact is the same, or that there is no impact?

Mr. Brown. We are not saying that. What we are saying is that frequently the Federal activity has benefits. In fact, those persons you are talking about do make purchases, probably from local merchants, regardless of where they work.

Senator Andrews. If you know about the rural school districts in North Dakota, they make purchases in the larger towns which are indeed and, in fact, separate school districts and have no relationship whatsoever. They drive 20 miles to the shopping centers and they make their purchases. The school district is isolated.

Mr. Brown. They earn an income and the State of North Dakota probably taxes it. Traditionally, in most of our States, the basis for State educational funding is from income taxes.

FURTHER REDUCTIONS IN PROGRAMS

Senator Andrews. I just want to point out, we don't have to get into an argument on it, that the impact, we feel, is there for "B" students just as it is for other students, but let's go on to the next one.

Presently, a major concern is that the elimination of "B" payments will open impact aid funding to further cuts or even elimination, that it will, in effect, be the beginning of the end for the program.

What assurances can you offer this committee that we can pass the word on down to the folks back home?

Mr. Davenport. We have been advocating in this administration from the beginning that the Federal Government's role and the proper role is paying for "A" students, and we will continue advocating that the proper role of the Federal Government is to pay for "A" students. So if the "B" students are eliminated, we will be back here next year testifying in support of funding for the "A" students.

Mr. Brown. If you look at the budget, you will see the out-year projections for "A" students increase with inflation.

Senator Andrews. You are expressing the ongoing commitment of this administration that the impact is indeed and, in fact, a severe one and needs to be met by the Federal Government.

Mr. Davenport. Yes; and we have testified as such for 3 years. This is the fourth year.

Senator Andrews. Mr. Secretary, it has been pointed out to me that you are proposing a freeze on "A" payments in those out-years. Is that true?

Mr. Davenport. No; not in the out-years. In 1986, as a result of that freeze, there will be savings in the out-years because we start from a lower base.

Senator Andrews. Why can't you use or why can't we use the payments for the "B" children to eliminate that freeze which will throw the level of support for "A's" out of the normal order of progression?

Mr. Davenport. If I understand you correctly, you are suggesting that we put $130 million into "A" payments for 1986.

Senator Andrews. I am not suggesting that. I am suggesting that if you look at a freeze, you freeze the overall category of impact aid, you then transfer, since you believe sincerely in the need of the "A" program, sufficient funds under the freeze from "B" to "A" so "A" can remain full-funded and protected without dropping out of step for 1 year, which results, as you say, in the out-year savings, but also results in out-year payments that are not in proper proportion to the burden of the local school districts.

Mr. Brown. I guess the answer is that, in 1986, we want to achieve some savings in this program as we do in all programs that we froze funding for. While there is a savings here—you could call it a cut, but I will call it a savings——

Senator Andrews. It is like the difference between revenue enhancement and tax hike.

Mr. Brown. That is true, or half-empty and half-full.

I guess we believe that the amount of funding that we have provided for the "A" students in this proposal is significant and substantial and meets their needs.

DELAYS IN PAYMENTS

Senator Andrews. Last year, Mr. Secretary, the question of late payments to local school districts was raised in hearings before this subcommittee. At that time, the Department stated that this was due in part to computer difficulties. This was back in March. Members were assured that these difficulties had been ironed out. What is the situation now with respect to getting the preliminary payments out on time?

Ms. Bowman. The preliminary payments were out on time this year. We are in the process now of making initial payments to districts whose applications have been processed. We have made about 1,000 initial payments.

Senator Andrews. What about final payment delays?

Ms. Bowman. It depends on which group of districts you are talking about. We have to wait for information from the States, and we also have information that we have to get from the districts themselves. In certain situations, we require a field visit before we make the payment in order to minimize the possibility of overpaying districts and having them have to return money to us.

PRECAUTIONS TO AVOID OVERPAYMENTS

Senator Andrews. Last year, your office issued a decision regarding final payments to districts categorized as "super A" or "super B." The decision was that districts with enrollments of 23 percent or less would be subject to review prior to receiving final payment. What was the cutoff point prior to this decision?

Ms. Bowman. We made that decision because of what we found happens to districts as a result of their percent of "A" children. When you have to do a proration on payments, the difference between the payment for a "super A" district and a regular "A" district could be as much as 50 percent of entitlement because the "super A's" are paid at 100 percent and the other "A's" are paid at 40 to 50 percent.

There are districts where a difference of one or two children one way or the other can take them from "super A" status to a regular "A" status. Rather than take the chance that we would overpay somebody by that much money, we wanted to ensure that anybody that reported between 23 percent and 19 percent "A's" actually has that percentage, and especially that they are actually "super A" before we make that payment.

Senator Andrews. I understand the Department was concerned about the possibility of overpayments to school districts, and I can certainly appreciate that concern. At the same time, however, the fiscal year for these districts ends in June, and they need their final payments as soon as possible.

Why couldn't the Department mail a portion of the final payments, say, one-half of the total or more, to tide them over until a field survey can be conducted instead of holding up the full amount?

Ms. Bowman. They have that already. If they were paid the prior year and they requested a preliminary payment, we have already given them that preliminary payment. They got 75 percent of whatever amount they got in the prior year. That is the law, Senator.

Mr. Brown. I believe that we make three payments, if not four, including the final payment. Is that right?

Ms. Bowman. We are working on the initial payments now to the districts, which will bring them up to 75 percent of their expected totals for the year, and then the final payments.

Mr. Davenport. Let's back up. We do a preliminary payment, an initial payment, and then sometimes a payment in-between, and then a final payment.

PAYMENTS TO GRAND FORKS, ND

Senator **Andrews**. That is not what happened with Grand Forks in my State last year. They were held up and held up and held up.

Ms. **Bowman**. We will have to go back and look at that.

Senator **Andrews**. Why don't you provide, for the record, how the specific instance of Grand Forks was settled, because I remember our office was working with the school board out there. It inflicted a great deal of cost on them because the payment was held up for several months beyond when they thought they were going to get it. They had to borrow money and pay interest costs, and all of the rest of it.

I would like to see how the actual disbursement of those funds to that particular school district follows with what you said.

[The information follows:]

1984 Payment for Grand Forks, ND

Grand Forks was one of the districts in 1984 that were very close to the eligibility threshold for "super A" status. The higher level of payment for "super A" status was withheld until the district's eligibility could be verified. If the district had been paid at the higher rate and then found ineligible for "super A" status, one-half of its payment would have had to be returned.

EFFECTS OF ELIMINATION OF "B" PAYMENTS

Senator **Andrews**. In recent years, a number of school districts have considered charging tuition for the children of military families. Some school districts have attempted to exclude military dependent children or have closed those schools that have predominantly children of military families.

About 60 percent of the military dependent children eligible for impact aid are in the "B" category. If all "B" payments were to be eliminated, as you propose, what action do you anticipate these school districts would have to take in order to maintain the average per pupil expenditure which existed prior to the elimination of "B" payments?

Mr. **Brown**. Let's talk about all "B" payments. They represent something on the average of three-tenths of 1 percent of the school budget, and that works out to $3 per $1,000 of sales, income, or property value.

The "B" payments across the board are something like $8 per kid for 1985 for the LEA's that receive them.

The answer to your question is that they might have to raise either State income taxes by $3 per $1,000 of income, they might have to raise property taxes by three-tenths of 1 percent in order to offset those costs. They might have to readjust the State budget and the State aid portion for education by three-tenths of 1 percent to make up that difference.

USE OF AVERAGES

Senator **Andrews**. But averages truly distort the picture.

Mr. **Brown**. Yes.

Senator Andrews. There are instances where what you say is certainly right on target, but there are other instances in which—this typical case of a "B" problem is not a case from North Dakota, but it is not unlike the problem we get into with "super A's" up there, there is no way of educating these children.

In talking to my colleagues, they told me that in some school districts, some very conscientious school boards have expressed the thought, in fact stated it as fact, that they would have to back away from educating these children if the impact aid were changed.

They must be the districts that stray quite a way from the average you are talking about.

Mr. Brown. Sure.

Senator Andrews. You know of these districts.

Mr. Brown. I know there are districts that complain that they are tremendously overburdened by "B" kids.

You are absolutely correct, in terms of the percentage range; "B" payments as a percentage of total budget range from one ten-thousandths of 1 percent, which isn't much——

Senator Andrews. No; you would hardly notice that.

Mr. Brown. It is one-tenth of a penny, or something like that.

Senator Andrews. That school district is not the one that we are talking about.

Mr. Brown. It goes up to 25 percent, and I think, I will have to look at the distribution, that that 25 percent is as much of an outlyer as that one ten-thousandths of 1 percent.

There are a few districts that have a lot of "B" children, again, whether those "B" children constitute a burden is an issue that we could debate all day because, as Dr. Davenport said earlier, we think there are many instances where they represent a net benefit to those districts.

Indeed, the Federal presence does generate employment. Employment does generate purchases of property, goods, and services which, in turn, ought to generate additional tax revenues of one sort or another.

Senator Andrews. Of course, what you are talking about is when we digress from the average, we get into a problem, to a certain extent, because here we have a school district that is 25 percent covered by "B" funding. As Secretary Davenport pointed out, having these families and these children creates the economic well-being of the community because they shop there, they get their professional services there, and all of that.

Then, of course, immediately comes the example from my rural State of North Dakota that the school district is out here, and the place where they do their shopping and contribute to the taxes is very often a totally separate school district. That is where we stray from the average.

PROGRAM STUDIES

Is there some kind of halfway help that your studies would indicate that a certain select few school districts might fall into if we removed these "B" funds?

Have you done any kind of a study on it, or have you merely based your decision on the average school district?

Mr. **Brown**. Actually, there have been studies done. We do have a study underway at the moment to look at the very heavily impacted, including "super B," districts. The first district will be Highland Falls, NY. We were told to do that by Congress. In addition, we are going to be looking at Douglas in South Dakota, and taking a pretty good indepth look at one of the three co-terminous military districts in Texas.

My staff also has been working with the Impact Aid Association to some extent to try to get at exactly what degree of burden "B" kids represent and, in fact, what degree of burden any Federal child represents to a school district, trying to get at the net effect of the Federal presence.

For the first study, the one that involves Highland Falls, Douglas, and one of the three co-terminous Texas districts, the first part of it, which will concentrate entirely on Highland Falls, will be completed, I should think, within about 1 month. It should be done by the end of May. We do intend to use the data produced to make policy and also will provide you with the report as you requested.

Senator **Andrews**. What would happen—did you make any of these studies before you made the determination to eliminate "B"?

Mr. **Brown**. We have done studies in the past. We have relied on averages, though we understand that there is a range of situations. Again, the policy is based primarily on the notion that it is almost self-evident that in most instances, if not all, with minor exceptions, Federal activity does generate some benefit.

Senator **Andrews**. But, Mr. Brown, since you are doing these studies, you must feel that there are exceptions to that rule. If you find in these three instances or in some of these instances——

Mr. **Brown**. You folks don't listen to me until I give you something that is empirical.

USE OF STUDY RESULTS

Senator **Andrews**. That is right.

The point is, if as a result of these studies, you find a problem that needs to be addressed, how are you going to address after the horses are gone, so to speak?

Do you feel that you have the discretionary powers in your shop to address this? Let's say that the study that comes in 2 months down the road—and let's say that the Congress and this committee, in their infinite wisdom, go along with your study. Then you find as a result of these studies that you have initiated that there is a need in certain specific school districts, obviously not in the average school district, that really is a vital and a pressing need that has to be met, how do you meet it?

Mr. **Brown**. I suspect that what I would do would be to discuss the findings of that particular study with my boss and hopefully I would get the chance to do it with the Secretary and with OMB, and work out some compromise. I can't speak to the degree to which they would be receptive. I quite honestly doubt that they would be because this is a principle here.

I am a career civil servant, and there is a limit to what I can do.

Senator **Andrews**. No; but we are addressing the career civil servants because policy changes come in on the top, and unfortunately you can't address people or school districts, or a lot of other things, on a uniform basis, although sometimes the averages fall into slots that tempt us to do that.

What you are telling us is that in your instance, in your shop, you are addressing the specifics of the individual school districts, and you will have some information in a few months, and if that information shows that there is a need that needs to be addressed, you will carry that information then to your superiors for action, and they may perhaps be able to address the need either through discretionary funds or more likely through a supplemental appropriation request down the line.

Mr. **Brown**. Or a modified legislative proposal.

Senator **Andrews**. Or a modified legislative proposal.

Mr. **Brown**. All of those things are possible, or again through no action at all, of course.

Senator **Andrews**. True, but you will provide the information from those studies to the subcommittee as soon as it is available.

Mr. **Brown**. Yes.

HISTORY OF PROPOSALS TO ELIMINATE "B" PAYMENTS

Mr. **Davenport**. Mr. Chairman, I would like to point out something.

Senator **Andrews**. Yes, Mr. Davenport.

Mr. **Davenport**. When I first arrived here in the Department of Education, the elimination of "B's" was included in a bill passed by the Congress. Then they decided that they would give it an extension, I guess 1 year ago, for another year. At some point, I think, we have to recognize again that in most cases across this country, the "B's" do not have an impact. What we get into is that everyone would like to receive part of the Federal dollars, but whether there is a real need for it has been the question. It is one that I have been raising for 3 years now. In most instances across this country, there is no real need for the funding. It should be discontinued. But habits are hard to break, and I am sure that the school districts right around this area and where I am from in California would still like to receive those "B" dollars, but the question is whether there is really no Federal burden.

What we are saying here is that it has been determined that there is very little, if any, and it really is mostly on the plus side. Those students and their expenses are really being taken care of or should be by the LEA and the State legislatures.

Senator **Andrews**. I understand, Mr. Davenport, where you are coming from, but let me point out, in the 20 years of experience I have had sitting on the other side of the table in the Appropriations Committee, most of them on the House side admittedly, I have found that the engine that drives policy is often the engine of political location.

In the House of Representatives there are 390, or thereabouts, House districts with "B" impact students, and the concern has been for a long time that that is the powerful engine driving policy. Many people with "super A" or other "A" impact are concerned that if they lose those 390 supporters and get it down to a much narrower base of support, then out the window may well go the "A" impact.

I am sure that you understand the political problem that that poses or the political concern.

Mr. **Davenport**. I understand, Mr. Chairman, but at some point, I think that we have to move from the political simplicity to statesmanship, and I hope that your colleagues in the Congress would look at the whole Federal need and decide on that point. I will leave it alone at that.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator **Andrews**. Thank you. We will have some additional questions which we will submit for your response.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

DELAYS IN APPLICATION AND PAYMENT PROCESSES

Question: It is my understanding that the Department this year revised the application packages for Impact Aid only slightly from last year's version, but that it took several months for the Department to forward these applications to local educational agencies who were then given two weeks to complete the forms and get them back to the Department or face a cutoff of their funding.

As Impact Aid is a "current-funded" program, and the applications somewhat involved, several Senators, myself included, became concerned about the unreasonable request being put on local school districts for something which was entirely the Department's fault. Finally, a seven-week extension was granted. Last year and the year before, we had problems with preliminary payments going out on time.

Why do these snafus consistently seem to crop up insofar as the Impact Aid program is concerned?

Answer: The Impact Aid program is very complex. Changes in the authorizing legislation or regulations or changes in the distribution formula from the previous year all can result in the necessity for changes in the administration of the program. Such changes may result in revisions to the application form. When the application is revised, it must be cleared by several offices in the Department and OMB. Then it must be printed and mailed out to school districts. This year delays occurred at nearly every stage of this process; some of these delays were unavoidable. It is clear, however, that this process must be improved. In the event of further revisions, the process must be started earlier and proceed more quickly.

Delays in the distribution of preliminary payments usually result from congressional delays in enacting appropriation legislation, the enactment of a series of short-term continuing resolutions, or the enactment of unclear language. For 1985, these payments were made very expeditiously and, barring delays in the appropriation process, we expect to maintain or improve our performance for 1986 preliminary payments.

Question: Is a shortage of personnel still a problem?

Answer: The number of staff in the Division of Impact Aid is sufficient to operate the program.

PAYMENTS FOR "b" CHILDREN

Question: In recent years, a number of local school districts have considered charging tuition for the children of military families. Some school districts have attempted to exclude military dependent children or to close those schools that have predominantly children of military families. About 60 percent of the military dependent children eligible for Impact Aid are in the "b" category.

Were all "b" payments to be eliminated as you have proposed, what action do you anticipate these school districts would have to take in order to maintain the average per pupil expenditure which existed prior to the elimination of "b" payments?

Answer: Some districts may raise their local taxes by small amounts; others may receive higher amounts of State aid; still others may reduce their expenditures by the amounts necessary to stay within their available revenues.

"SUPER a" CUTOFF POINT

Question: We know that about half of the Nation's "a" pupils are in districts with less than 20 percent of their average daily attendance in Category "a." We also know that some districts may be as little as one percent under the 20 percent cutoff mark for "Super a" status. For example, a district with 21 percent "a" students in FY 1985 would receive a payment of $1,430, but a district with 19.9 percent, would receive only $600.

What thought have you given to methods which could be employed which might help make the formula more equitable?

Answer: For 1985, we estimate "a" pupils in regular "a" districts will amount to approximately 50.3 percent of all "a" pupils. We believe that payments for these "a" pupils in 1985 will be approximately 50 percent of entitlement.

One of the comments on the new regulations for local contribution rates suggested that a sliding payment scale be implemented. We have not had an opportunity yet to examine this suggestion thoroughly but we hope to do so in the near future.

CONSTRUCTION FUNDS

Question: We understand that many, many children must go to class in buildings which have been condemned or which present potential physical harm. In fact, the current backlog of requests for funding for school construction projects is reported to total nearly $500 million. Congress, in each of the last several years, except for the Jobs Bill where $60 million was added, has appropriated $20 million for school construction.

What is the reason, then, that no funds are requested in your budget this year for desperately needed school construction?

Answer: Because of the high level of funding in 1983 and the steady level of funding in other recent years, we have been able to fund many construction projects. For this reason, and because of concern for the level of the Federal deficit, no funds are requested for 1986 for construction projects.

Question: Please provide us an updated list by State of approved school construction applicants currently awaiting Impact Aid funding under each authorizing section of P.L. 81-815.

Answer: The lists follow:

FY 1985 - Rev.

U.S. DEPARTMENT OF EDUCATION
Office of Elementary and Secondary Education
Division of Impact Aid - School Construction Branch
Washington, D.C. 20202-6272

ORDER OF PRIORITY INDICES AND ESTIMATED FUNDS NEEDED

Public Law 81-815 - Sections 5 and 14(c)

Application Number	Applicant	Priority 1/ Sec. 5	Priority 1/ Sec. 14(c)	Initial Estimated Entitlement
ID 83-C-501	Lapwai S.D. #341		* 113.2	$1,800,000
AZ 85-C-509	Grand Canyon Unified S.D. #4		112.0 T	1,300,000
MN 84-C-3401	Mahnomen I.S.D. #432		* 98.2 T	1,500,000
MT 85-C-503	Browning H.S.D. #9		* 87.6 T	5,500,000
NC 84-C-9001	Graham Co. School Board		* 66.8 T	6,000,000
MT 85-C-14	Browning E.S.D. #9		* 66.6 T	7,000,000
CA 84-C-1301	Eastern Sierra Unified S.D.		** 46.2 T	2,200,000
AK 85-C-201	Fairbanks-North Star Borough	46.1 T		9,236,000
NE 84-C-502	Macy S.D. #16	* 45.5 T		463,000
SC 84-C-3301	Swain County Bd. of Ed.		38.1 T	7,500,000
CA 84-C-1301	Eastern Sierra Unified S.D.	** 37.0 T		666,000
SD 84-C-504	Dupree S.D. #64		*** 31.6	1,296,000
OK 84-C-425	Stilwell I.S.D. #25	* 31.4 T		863,000
MI 74-C-2201	Ewing-Trout Creek Schools		30.0 T	2,762,000
SD 84-C-504	Dupree S.D. #64	*** 20.6		149,000
CA 83-C-3301	Lucerne Valley Union E.S.D.		16.8 T	4,127,000
ID 83-C-5	Blackfoot S.D. #55		* 16.2 T	2,377,000
CA 85-C-406	Morongo Unif. S.D.	12.2 T		1,262,000
IL 69-C-1604	Lincoln-Way H.S.D. #210, New Lenox	9.9		53,000
CA 70-C-50	Indian Wells Valley Jt. U.S.D.	9.8		56,000
MD 70-C-3	Bd. of Ed., Anne Arundel Co. (waiver)	9.8		3,689,000

1/ "T" denotes tentative processing only.

Sections 5 and 14(c) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Sec. 5	Priority Sec. 14(c)	Initial Estimated Entitlement
AZ 71-C-1901	Snowflake U.H.S.D. #60	9.6		34,000
FL 69-C-3	Bay County Bd. of Ed.	9.6		549,000
UT 83-C-3301	Wayne County S.D.	** 9.5 T		113,000
VA 73-C-7	City of Hampton S.D.	8.8 T		1,633,000
WI 71-C-1001	Jt. S.D. #1, Bayfield	8.8 T		54,000
CA 70-C-623	Ocean View S.D.	8.6		120,000
CA 72-C-608	Poway Unif. S.D.	8.5		627,000
NE 79-C-901	Papillion S.D. #27	8.0 T		378,000
AL 69-C-11	Enterprise City Bd. of Ed.	7.8		127,000
CA 70-C-608	Poway Unified S.D.	7.8		234,000
NV 83-C-603	Clark County S.D. (Waiver requested)	7.6 T		353,000
AK 72-C-401	Alaska State Op. Schools	7.5 T		3,024,000
IL 71-C-12	Comm. Cons. S.D. #70, Freeburg	7.4 T		41,000
IL 69-C-1601	Bradley-Bourbonnais Comm. H.S.D.	7.4		57,000
IL 69-C-1701	E.S.D. #96, Romeoville	7.4		143,000
TX 69-C-1504	Medina Valley I.S.D.	7.4		32,000
CA 71-C-246	San Francisco U.S.D. (Treasure Island Waiver)	7.0		85,000
MO 68-C-1601	Ft. Zumwalt S.D., O'Fallon	7.0		76,000
GA 81-C-502	Camden Co. Bd. of Ed.	6.8		161,000
TX 68-C-61	Del Valle I.S.D.	6.8		53,000
CA 72-C-815	Lemoore U.H.S.D.	6.6		44,000
PA 70-C-603	Pocono Mt. S.D., Swiftwater	6.6		52,000
VA 78-C-13	Stafford Co. Schools	6.5 T		535,000
MS 70-C-202	Long Beach Municipal Sep. S.D.	6.1		76,000
CA 69-C-203	Oceanside-Carlsbad U.S.D.	5.6		145,000

Section 5 and 14(c) - FY 1985 (Cont'd)

Application Number	Applicant	Priority		Initial Estimated Entitlement
		Sec. 5	Sec. 14(c)	
MO 69-C-805	Raymore-Peculiar S.D. R-II	5.6		18,000
CO 69-C-12	Harrison S.D. #2	5.0		305,000
NC 69-C-1	Craven County Bd. of Ed.	5.0		130,000
AL 70-C-11	Enterprise City Bd. of Ed.	4.5		137,000
MI 69-C-416	Rudyard Twp. S.D. #11	4.4		116,000
MD 69-C-7	Bd. of Ed., St. Mary's County	4.2		287,000
FL 69-C-7	Okaloosa Bd. of Pub. Instr.	4.0		163,000
KS 68-C-1502	Cons. Unif. S.D. #101, Erie	3.9		20,000
NV 69-C-603	Clark Co. S.D., Las Vegas	3.8		954,000
NV 77-C-603	Clark County S.D. (Waiver)	3.6 T		115,000
NV 72-C-601	Churchill County S.D.	3.4		89,000
CA 70-C-203	Oceanside-Carlsbad U.Y.S.D.	3.4		73,000
NV 68-C-603	Clark Co. S.D.	3.4		809,000
OK 72-C-13	Moore I.S.D.	3.2		121,000
OK 69-C-13	Moore I.S.D.	3.0		71,000
CA 69-C-246	San Francisco U.S.D. (Waiver)	2.8		35,000
CA 69-C-246	San Francisco (Presidio Waiver Area)	1.8		27,000
ID 69-C-1201	I.S.D. No. 1, Lewiston	1.8		38,000
UT 83-C-3301	Wayne County S.D.		** 1.8 T	468,000
TX 71-C-61	Del Valle I.S.D.	1.4		39,000
CA 71-C-203	Oceanside-Carlsbad U.H.S.D.	1.0		54,000
CA 82-C-3001	Silver Valley Unif. S.D.	(26.1) T		1,102,000
AZ 74-C-502	Palominas Comm. S.D. #49	(16.0)		41,000
LA 71-C-901	Bossier Parish Sch. Bd.	(15.1) T		375,000
GA 83-C-502	Camden Co. Bd. of Ed.	(14.7) T		1,336,000
IL 75-C-201	Community H.S.D. #123	(14.6) T		775,000

Sections 5 and 14(c) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Sec. 5	Priority Sec. 14(c)	Initial Estimated Entitlement
CO 70-C-1801	Summit S.D. Re-1, Frisco	(13.0)		60,000
CA 68-C-707	Center Jt. S.D., North Highland	(12.5)		61,000
CA 71-C-1502	Washington Union S.D.	(11.9)		55,000
IL 69-C-1707	Okawville E.S.D. #46	(11.6)		20,000
OK 67-C-1507	South Rock Creek D.S.D. #32	(11.3)		13,000
AK 69-C-1	Kodiak Island Borough S.D.	(10.9)		482,000
TX 69-C-64	Northside I.S.D., San Antonio	(10.4)		492,000
CA 83-C-34	Oceanside Unif. S.D.		(8.8) T	4,946,000
IL 68-C-1603	Joliet Township H.S.D. #204	(8.1)		18,000
AZ 71-C-506	Litchfield S.D. #79	(8.0)		56,000
TX 68-C-1502	Crowley I.S.D.	(7.6)		30,000
MD 69-C-8	Bd. of Ed., Prince George's Co.	(7.3)		1,468,000
VA 71-C-13	Stafford County Schools	(7.3)		364,000
CA 79-C-11	Monterey Peninsula U.S.D.	(6.8) T		2,085,000
IL 68-C-1602	Homer Comm. Cons. S.D. #33-C	(6.8)		16,000
OH 68-C-508	Pickerington I.S.D.	(6.3)		9,000
IL 69-C-1708	Bourbonnais E.S.D. #53	(6.2)		58,000
CT 70-C-406	Town of Ledyard S.D.	(6.1)		134,000
CA 68-C-1602	Arena U.E.S.D., Point Arena	(5.8)		35,000
MI 84-C-3301	Big Bay-DeNoc	(5.9) T		200,000
MS 68-C-202	Long Beach Municipal Sep. S.D.	(5.7)		57,000
VA 67-C-3	Fairfax County Sch. Bd.	(4.9)		3,000,000
MD 67-C-8	Bd. of Ed., Prince George's Co.	(4.7)		4,402,000
NY 67-C-1501	U.F.S.D. #3, Brookhaven	(4.7)		130,000
WA 67-C-1202	Waitsburg Jt. S.D. #401-10	(4.7)		15,000
OH 69-C-1701	North Olmstead City Schools	(4.5)		22,000

Sections 5 and 14(c) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Sec. 5	Priority Sec. 14(c)	Initial Estimated Entitlement
MO 67-C-1502	S.D. of Marshall	(4.4)		56,000
WI 70-C-1802	Unif. S.D. #1, Ashland	(4.4)		140,000
TX 67-C-80	Burleson I.S.D.	(4.3)		50,000
CT 67-C-604	Town of Monroe S.D.	(4.0)		87,000
MD 70-C-7	Bd. of Ed., St. Mary's Co.	(4.0)		382,000
WA 67-C-1301	Dayton S.D. #2	(3.9)		28,000
KS 67-C-803	Shawnee Mission U.S.D. #512	(3.8)		69,000
NJ 67-C-1201	Bd. of Ed., Evesham Township	(3.8)		67,000
RI 70-C-401	Newport School Dept.	(3.6)		287,000
NM 69-C-402	Gallup-McKinley Co. Bd. of Ed.	(3.5)		409,000
MN 70-C-12	I.S.D. #115, Cass Lake	(3.4)		55,000
AK 67-C-1402	Greater Juneau Boro. S.D.	(3.3)		118,000
WA 68-C-4	Clover Park S.D. #400	(3.3)		785,000
KY 67-C-4	Hardin County Bd. of Ed.	(3.2)		135,000
LA 71-C-1	Bossier Parish Sch. Bd.	(2.9) T		404,000
MD 69-C-1	Bd. of Ed., Harford County	(2.3)		546,000
MD 67-C-1	Bd. of Ed., Harford County	(2.2)		413,000
IL 70-C-201	Comm. H.S.D. #123, N. Chicago	(1.7)		16,000
CA 67-C-1304	Manteca U.S.D.	(1.0)		206,000
MI 72-C-2001	Watersmeet Township S.D.	(.9)		4,000
			TOTAL	98,769,000

*Applicant also tentatively eligible and listed by Section 14(a)/(b) priority.

**Applicant also tentatively eligible and listed by Both Sections 5 and 14(c) priorities.

***Applicant also tentatively eligible and listed by Sections 5, 14(a)/(b), and 14(c) priorities.

U.S. DEPARTMENT OF EDUCATION
Office of Elementary and Secondary Education
Division of Impact Aid - School Construction Branch
Washington, D.C. 20202-6272

ORDER OF PRIORITY INDICES AND ESTIMATED FUNDS NEEDED

Public Law 81-815 - Sections 14(a) and 14(b)
(Children residing on Indian Lands)

Application Number	Applicant	Priority		Applicant's Initial [illegible]
		Tent.	Firm	
ND 83-C-1301	Fort Yates Public S.D. #4		128.2	$ 3,000,000
AZ 82-C-404	Chinle S.D. #24 (Waiver)		113.0	21,000,000
MT 82-C-1801	Harlem H.S.D. #12		102.6	3,315,000
NM 85-C-2901	Zuni Public S.D.	97.4		2,400,000
MT 85-C-503	Browning H.S.D. #9	96.9		5,500,000
AZ 76-C-516	Window Rock Elementary S.D. #8		88.5	15,232,000
AZ 76-C-1001	Ganado Elementary S.D. #19		82.4	6,890,000
AZ 74-C-517	Indian Oasis S.D.		80.3	5,748,000
AK 75-C-5002	Craig City S.D.	79.2		1,850,000
MN 75-C-403	I.S.D. #707, Nett Lake	78.9		1,426,000
SD 81-C-507	White River S.D. #47-1		74.2	1,500,000
SD 81-C-1801	Waubay I.S.D.		72.0	4,691,000
AZ 80-C-702	Tuba City Unified S.D. #15		71.4	3,500,000
NM 77-C-411	Tularosa Municipal S.D. #4	69.4		3,000,000
MT 85-C-14	Browning E.S.D. #9	69.3 *		7,000,000
NM 78-C-802	Magdelena Municipal S.D. #12	68.9		500,000
OK 80-C-2801	North Rock Creek D-10 S.D.	64.1		155,000
AK 76-C-1102	Hydaburg Public Schools	62.2		4,685,000
NM 79-C-402	Gallup-McKinley Co. S.D. (Waiver)	62.2		14,550,000
AZ 71-C-805	Union E.S.D. #62		61.6	117,000
SD 84-C-504	Dupree S.D. #64		60.4 *	$ 1,296,000
NM 76-C-4	Espanola Municipal S.D. (San Juan Waiver Area)	59.6		882,000
MT 79-C-13	S.D. #6, Lame Deer	59.0		10,430,000
NM 77-C-512	Jemez Springs Municipal S.D.	56.0		1,600,000
OK 75-C-5002	Oaks Mission S.D.	55.7		200,000
SD 74-C-3001	West River I.S.D. #18 (Waiver)		55.6	400,000
NM 77-C-406	Grants Municipal S.D. #3 (Waiver)	52.4		2,832,000
MT 76-C-3001	E.S.D. #28, St. Ignatius		52.1	1,139,000

Sections 14(a)/(b) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est
MT 75-C-410	E.S.D. #17-H, Hardin		51.4	1,680,000
ID 03-C-501	Lapwai S.D. #341		51.2 **	1,800,000
AK 75-C-5003	Dillingham City S.D.	50.8		2,500,000
MN 84-C-3401	Mahnomen I.S.D. #432	50.2 *		1,500,000
AZ 73-C-14	Northern Yuma Co. U.H.S.D.		45.9	415,000
SD 71-C-502	East Charles Mix S.D. #102		45.8	1,000,000
AZ 81-C-1102	Rice S.D. #20	45.6		2,500,000
NE 84-C-502	Macy S.D. #16	45.5 ***		463,000
OK 76-C-437	Salina S.D.	42.9		350,000
OK 84-C-425	Stilwell I.S.D. #25	41.6 ***		1,765,000
AZ 77-C-28	Puerco U.S.D. #18		40.9	10,000,000
OK 73-C-3001	Pleasant Grove I.S.D. #5		37.4	109,000
UT 76-C-401	Uintah S.D., Vernal	37.0		916,000
NM 79-C-401	I.S.D. #22, Kirtland	35.7		10,000,000
CA 80-C-9001	South Fork Union S.D.	34.6		650,000
WA 71-C-25	Clallam County S.D.		32.2	667,000
OK 75-C-601	Little Axe S.D.	30.3		130,000
ID 77-C-1202	Western Benewah S.D. #42	29.8		90,000
MT 82-C-7	Ronan S.D. #30	29.2		$ 1,585,000
NC 84-C-9001	Graham County Sch.-Bd.	29.0 **		6,000,000
NM 77-C-407	Bernalillo Bd. of Ed.	27.1		1,480,000
NM 75-C-412	Bloomfield Municipal S.D.	26.2		872,000
SD 76-C-6001	Lyman Co. S.D. #12		22.6	950,000
NM 76-C-603	Los Lunas Cons. S.D.	22.2		475,000
KS 78-C-1802	U.S.D. #3, Mayetta	22.0		3,711,000
MT 76-C-7	E.S.D. #30, Ronan		20.0	1,300,000
OK 76-C-1103	Pocola S.D.	19.7		365,000
MN 75-C-5001	I.S.D. #435, Waubun	18.1		30,000
WA 77-C-32	Granger S.D. #204	17.0		412,000
SD 81-C-2901	Winner S.D. #59-2	16.8		980,000
OK 76-C-911	Checotah I.S.D. #19	16.2		300,000
MI 75-C-5001	Bark River-Harris S.D.	15.9		250,000
IA 69-C-1701	C.S.D., South Tama County		13.8	219,000
WA 71-C-44	Wapato S.D. #207		13.5	456,000
CA 84-C-618	Round Valley U.S.D.	13.3		1,571,000

Sections 14(a)/(b) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est
OR 76-C-13	Jefferson Co. S.D.	13.1		281,000
AZ 77-C-901	Laveen S.D.		12.2	2,000,000
NM 75-C-9	Pojoaque Valley I.S.D.	12.1		634,000
CA 71-C-619	Bishop Union S.D.		12.0	102,000
OK 76-C-5001	Falls S.D. #31	11.1		260,000
ID 83-C-5	Blackfoot S.D. #55	11.0 **		2,377,000
AZ 72-C-414	Tuba City E.S.D.		10.8	1,638,000
NM 75-C-602	Taos Municipal S.D. #1	9.8		1,038,000
NM 77-C-402	Gallup-McKinley Co. S.D. (Tse Bonito Waiver Area)	8.0		1,660,000
CA 82-C-516	Alpine Union S.D.	6.6		1,667,000
OK 76-C-6003	Broken Bow S.D.	2.7		$ 420,000
			TOTAL	207,726,000
	SUBPRIORITY ORDER OF ZERO PRIORITY APPLICATIONS — () denotes Subpriority			
AK 78-C-6001	North Slope Borough S.D. (Atkasook Waiver Area)	(100.0)		3,150,000
AK 78-C-6001	N. Slope Borough S.D. (Atktovik Waiver Area)	(100.0)		183,000
AK 78-C-6001	North Slope Borough S.D. (Wainwright Waiver Area)	(100.0)		183,000
WA 75-C-67	LaConner S.D. #311	(78.7)		525,000
WY 69-C-403	Mill Creek S.D. #14	(75.5)		42,000
WA 76-C-1902	Mt. Adams S.D. #209		(53.2)	450,000
NV 69-C-701	Elko County S.D.		(43.7)	107,000
WA 77-C-25	Cape Flattery S.D. #401	(29.9)		1,181,000
NM 75-C-513	Cuba I.S.D.	(28.8)		1,000,000
SD 76-C-701	McLaughlin I.S.D. #21	(25.8)		223,000
ND 74-C-503	New Town S.D. #1		(22.4)	163,000
WA 82-C-3001	Wilbur S.D. #200	(15.4)		1,526,000
AZ 77-C-604	Gila Bend U.S.D.	(14.5)		750,000
MT 73-C-3002	H.S.D. #28, St. Ignatius		(13.8)	592,000
MI 73-C-2001	Watersmeet Twp. S.D.	(13.6)		122,000
AK 76-C-1601	Yakutat City S.D.		(7.7)	1,250,000
CA 79-C-1301	Eastern Sierra U.S.D.	(3.7)		1,500,000

Sections 14(a)/(b) - FY 1985 (Cont'd)

Application Number	Applicant	Priority Tent.	Priority Firm	Applicant's Initial Est
WA 70-C-56	Marysville S.D.		(2.8)	286,000
CA 71-C-530	San Pasqual Valley U.S.D.		(0.6)	200,000
NV 69-C-404	Humboldt Co. S.D.		(0.1)	231,000
			GRAND TOTAL	221,390,000

* Applicant also tentatively eligible and listed by Sections 5 and 14(c) priorities.

** Applicant also tentatively eligible and listed by Section 14(c) priority.

*** Applicant also tentatively eligible and listed by Section 5 priority.

DATA PROCESSING

Question: It is my understanding that a private computer company currently has the P.L. 81-874 Impact Aid data analysis contract. There have reportedly been communications problems between the contractor and Impact Aid personnel at the Department.

What facts do you have which indicate why it is not more efficient and cost-effective for the Department to use in-house data analysis services such as those available through the National Center for Education Statistics?

Answer: The National Center for Education Statistics (NCES) does not have the staff or equipment capabilities needed to provide the data processing services for the administration of the Impact Aid program. The computer services needed by both NCES and the Impact Aid program are performed under the same contracts with private firms.

Question: What is the annual cost to the Department for these data analysis services provided by the private contractor?

Answer: The total annual cost to the Department for computer services for the Impact Aid program is approximately $180,000.

Question: How often does this contract come up for bid?

Answer: The Office of Management in the Department puts this contract up for bid every three years.

Question: How many proposals or bids were received by the Department when the Impact Aid contract was last awarded?

Answer: The contract was awarded most recently one year ago. At that time, the Department received approximately 20-25 bids.

LOCAL CONTRIBUTION RATE REGULATIONS

Question: You are apparently pursuing regulatory revisions with respect to the way in which rates are established for those districts which utilize the comparable rate method for two reasons: first, to lighten the division's workload, and also to promote fairness and equity.

Have you examined the possible adverse impact of your regulations on districts which have used the comparable rate method, particularly those responsible for children with special needs, such as Native American children? If so, the Subcommittee would appreciate having a copy of your analysis.

Answer: The regulations governing local contribtuion rates were not revised to lighten the Division's workload. Changes to these regulations were proposed because of questions or complaints from applicants about one of the Department's former policies. One of those complaints resulted in a lawsuit in which the judge issued a decision declaring the former method invalid. Although the decision is being appealed, the Department felt it would be prudent to devise a new method of identifying generally comparable districts to be used for determining an applicant's local contribution rate.

We do not believe the new regulations have an adverse affect on any group of school districts. Most districts will continue to be paid on the minimum rate guaranteed by the statute. For 1984, the next largest group of applicants used the new regulations to determine their local contribution rates. The smallest group requested "hold-harmless" rates which were based on former rate methods.

Question: If promoting fairness is your goal, surely you have analyzed the degree to which districts whose rates are determined using one-half the national average per pupil expenditure are receiving a rate "far in excess" of that to which they would be entitled using one-half their State average PPE. Please comment on the extent to which these districts' rates have risen over the past several years as compared to the increase in their respective average State PPEs.

Answer: For 1985 payments, the minimum rates for districts in 27 States are based on the actual national average per pupil expenditure for school year 1982-83 rather than their States' average per pupil expenditures because the national average is higher. The program statute states that the minimum rate is based on the higher of the two averages.

Using 1978-79 school year expenditures (the basis for 1981 minimum rates) in comparison to 1982-83 expenditures (the basis for 1985 minimum rates), we looked at the rate of increase in expenditures in those 27 States compared to the increase in the national average. We found that, at the same time the national average increased by 49.1 percent, expenditures in those States increased from 28.7 percent to 80.9 percent. The average for the 27 States was 52.7 percent. Despite the high rates of increase in a number of States, the amounts of funds spent were still lower than the national average.

Question: I am advised that the Department has suggested that several impact districts were receiving "exorbitant" rates under the former regulations governing comparability. Yet I understand that the Secretary had the authority to deny unreasonable rate requests. Please comment.

Answer: The Secretary has the authority to deny rates that are based on districts which the Secretary determines are not generally comparable to the applicant.

Question: What steps were taken to determine that specific rate requests were not justified?

Answer: A review of Impact Aid applications revealed that some applicants requested local contribution rates, designed to approximate funds raised from local sources, that exceeded their estimated total per pupil expenditures for the year. In some States, applicants with similar characteristics requested widely varying rates.

STAFF RESOURCES

Question: During the last reduction in force at the Department, the number of payment analysts in the Division of Impact Aid declined from 12 to 6. To what extent is your current program staff able to take into account characteristics unique to certain districts, particularly as they may pertain to payments made under Section 3(d)(2)(B) of P.L. 81-874?

Answer: The current program staff is able to perform adequately all functions necessary to administer the program.

ADMINISTRATION OF SECTION 3(d)(2)(B)

Question: What is the result of your examination with respect to the possible impact of eliminating category "b" support on heavily impacted districts which rely upon Section 3(d)(2)(B) funding?

Answer: We estimate that three of the eight districts eligible for Section 3(d)(2)(B) in 1983 (the most recent year for which final 3(d)(2)(B) data are available) would not meet the initial eligibility criterion of federally connected children equal to at least 50 percent of total average daily attendance if this proposal were accepted for 1986. The other five districts would have their payments reduced by fairly small amounts. For 1983, "b" payments to these five districts ranged from approximately $4,000 to approximately $80,000 or from less than one-tenth of one percent to less than three percent of their total Impact Aid payments.

Question: I understand that you have received correspondence from the Department of Defense questioning your interpretation of Section 3(d)(2)(B). Counsel at DOD apparently finds that this section is intended to provide funding--in addition to regular Section 3(a) and 3(b) payments--sufficient to enable eligible districts to provide a level of education comparable to that of similar districts for all students. Please comment.

Answer: It is the Department of Education's responsibility to interpret and implement section 3(d)(2)(B) of the Impact Aid program statute. It is this Department's interpretation that while payments made under this section may be used for the benefit of all students in an eligible district, the payment amount must be calculated on the basis of the federally connected students only.

Question: Please provide the Subcommittee all copies of your written communications with DoD on this matter.

Answer: Copies of this correspondence follow:

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

OCT 17 1984

Dr. Lawrence Davenport
Assistant Secretary of Education
for Elementary and Secondary Education
Department of Education
400 Maryland Avenue, SW, Room 2189
Washington, D.C. 20202

Dear Dr. Davenport:

With the increased number of school districts using Section 3(d)(2)(B) of PL 81-874 in recent years, and the Defense Department's interest in several of these heavily-impacted school districts, I would like to request information regarding your Department's official procedures and/or policies for the determination of payments under this section.

It is my understanding that under Section 3(d)(2)(B) if a district is not able to provide a level of education equivalent to that of other comparable districts in the state then "the Commissioner shall increase the amount" computed for regular Section 3(a) and (b) payments "to the extent necessary to enable such agency to provide a level of education equivalent to that maintained in such comparable school districts." This language appears to refer to all children in the affected district, not just those who are federally-connected.

I would appreciate your confirming that 3(d)(2)(B) payments are mandatory to qualifying school districts and that the provision applies to all students in a 3(d)(2)(B) district. I would also be grateful for any other clarification you could provide regarding the Department's policies for 3(d)(2)(B).

Sincerely,

Charles Groover

Charles W. Groover
Deputy Assistant Secretary of Defense
(Program Integration)

UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF THE ASSISTANT SECRETARY
FOR ELEMENTARY AND SECONDARY EDUCATION

05 [illegible] 1984

The Honorable Charles W. Groover
Deputy Assistant Secretary
Department of Defense
Washington, D.C. 20301

Dear Mr. Groover:

Thank you for your letter requesting information regarding the Department of Education's official procedures and/or policies for the determination of payments under subsection 3(d)(2)(B) of Public Law 81-874.

There are five criteria for determination of eligibility under subsection 3(d)(2)(B):

1. Not less than 50 percent of the children in attendance at the schools of the local education agency (LEA) must be federally connected;
2. LEAs under an equalization program in a State which qualifies under section 5(d)(2) are not eligible for assistance under subsection 3(d)(2)(B);
3. The LEA must be making a reasonable tax effort and exercising due diligence in availing itself of other financial assistance;
4. The State must not be giving the LEA less favorable treatment under its State aid program than it gives to other LEAs; and,
5. The amount of funds available to an LEA must be insufficient to enable that district to provide a level of education equivalent to that maintained in the school districts in the State which are generally comparable to that LEA.

Prior to fiscal year 1982 the Department funded primarily two or three applicants under subsection 3(d)(2)(B). Depending upon the year of application Douglas, South Dakota, Bellevue, Nebraska, and/or Fort Leavenworth, Kansas were the only applicants that met the eligibility criteria outlined above. Since fiscal year 1982 we have had an increased number of applicants which has resulted in several additional school districts qualifying for payment. For example, in fiscal years 1982 and 1983 we provided eight school districts additional funding under subsection 3(d)(2)(B).

In review of fiscal year 1984, we find that 89 school districts applied for additional assistance under this section. Of those applying only 56 met the first eligibility criteria that 50 percent of the children in attendance be federally connected. Nine of these 56 school districts were disqualified because they were located in equalized states, leaving 47 potentially eligible for payment. Of the 47 potentially eligible we find that 15 school districts appear to be eligible for payment based on estimated revenue, expenditure, and enrollment data.

In determining final eligibility and an entitlement under subsection 3(d)(2)(B), the school district's actual total revenue, total expenditures, and total enrollment are used to determine the average per pupil cost. Then, the average per pupil cost of districts comparable to the applicant is established and used as the basis for determining the amount of additional subsection 3(d)(2)(B) funds the applicant needs in order to provide a comparable education.

You are correct that subsection 3(d)(2)(B) payments are mandatory to qualifying school districts and that the provision applies to all students enrolled in the district.

I have given you a very concise review of a most complex topic. I hope, however, that you find this information helpful. Dr. Robert Farning, Chief, School Assistance Branch, is available to assist you and/or your staff if you have further questions or concerns. Dr. Farning can be reached at (202) 245-8171.

Sincerely,

Lawrence F. Davenport
Assistant Secretary

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

Question: I understand the Department uses a private contractor to maintain its data files under the Impact Aid programs. What's the annual cost for this?

Answer: The total annual cost to the Department for computer services for the Impact Aid program is approximately $180,000.

Question: Why can't these services be done in-house?

Answer: The National Center for Education Statistics (NCES) does not have the staff or equipment capabilities needed to provide the data processing services for the administration of the Impact Aid program. The computer services needed by both NCES and the Impact Aid program are performed under the same contracts with private firms.

Question: How often does this contract come up for bid?

Answer: The Office of Management in the Department puts this contract up for bid every three years.

SUBCOMMITTEE RECESS

Senator ANDREWS. I think that is a good place to end the hearing and say that we will stand in recess until tomorrow morning at 9:30 when we will finish the Department of Education programs.

Thank you very much, Mr. Secretary.

[Whereupon, at 11:22 a.m., Tuesday, April 23, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, April 24.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

WEDNESDAY, APRIL 24, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 10:15 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Specter, Proxmire, and Burdick.

DEPARTMENT OF EDUCATION

POSTSECONDARY EDUCATION

STATEMENT OF EDWARD M. ELMENDORF, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

ACCOMPANIED BY:
- **SALLY K. KIRKGASLER, DIRECTOR, OFFICE OF POLICY DEVELOPMENT**
- **WILLIAM DINGELDEIN, DEPUTY DIRECTOR, BUDGET SERVICE, OFFICE OF PLANNING, BUDGET AND EVALUATION**

OPENING STATEMENT OF SENATOR SPECTER

Senator SPECTER. Good morning, ladies and gentlemen. In the absence of Senator Weicker, who is detained on a matter involving foreign relations and the South African Embassy, I want to convene the subcommittee, but only for a moment. The subcommittee will consider today the student financial aid programs. On the witness agenda are Dr. Edward M. Elmendorf, the Assistant Secretary for Postsecondary Education, and his colleagues.

I regret that I cannot begin the hearing because at this moment I am due to commence a hearing on the Juvenile Justice Subcommittee. I think a word of explanation might be helpful to some of you. There are many, many subcommittee hearings in progress right now. The Appropriations Committee, of which this is one subcommittee, has 13 subcommittees, and I have just come from the Judiciary, State, Commerce Subcommittee, which is in session. As I have already said, Senator Weicker is otherwise engaged.

I just wanted to make that brief statement to tell you that Senator Weicker will be here just as soon as he can, or perhaps one of the other members of the subcommittee will be able to come and begin. Each of us is the chairman of an independent subcommittee which takes precedence. We try to do what we can. Of course, the matter of student aid is of enormous importance, and will be one of the premier items of consideration on the budget deliberations later this week and next week. Many of us are dedicated to the proposition of maintaining the current student aid support system. Senator Weicker, I am sure, will have a great deal more to say about that during the course of the next few minutes. I thought that this might be somewhat helpful.

[A brief recess was taken.]

Senator **WEICKER**. The subcommittee will come to order.

I apologize for my tardiness. I have been, for the last hour, with the Committee on Foreign Relations on the South African matter; nevertheless, I apologize to each and every one of you for keeping you waiting.

I would like to proceed right away to your testimony, Dr. Elmendorf. Please introduce your associates. Your statement in its entirety will be included in the record, and then we will get to the questions.

Dr. **ELMENDORF**. Thank you, Mr. Chairman.

INTRODUCTION OF ASSOCIATES

On my right, I have Sally Kirkgasler, who is the Director of the Office of Policy Development for the Office of Postsecondary Education, and on my left, I have Mr. William Dingeldein, the Deputy Director of the Budget Service in the Office of Planning, Budget and Evaluation.

PREPARED STATEMENT

If you don't mind, Mr. Chairman, to perhaps shorten it, I would combine the student financial aid statement, the guaranteed student loan statement and put it under one statement.

Senator **WEICKER**. Fine.

[The statement follows:]

STATEMENT OF EDWARD M. ELMENDORF

STUDENT FINANCIAL ASSISTANCE

It is a pleasure to be here to present our budget request for the Student Financial Assistance account. Our budget request for fiscal year 1986 is $3.569 billion--a major commitment of Federal resources for student aid.

The Administration is proposing a major philosophical reorientation of the Federal student aid programs designed to restore the proper Federal role in the financing of postsecondary education. The dramatic growth of Federal appropriations for these student aid and student loan programs--from $3.7 billion in 1978 to $8.6 billion in 1985--has resulted in an excessive reliance on Federal student aid which abuses the spirit and intent of these programs as a supplement to, not a replacement for, other sources of college financing. This restructuring emphasizes parent and student responsibilities for financing college costs, reduces the excessive reliance on federally supported student assistance, simplifies program administration, and reduces assistance for students from higher income families. In addition, consistent with the Federal objective of equalizing opportunity for a postsecondary education, our 1986 budget request targets Federal resources on the neediest students while making progress in reducing the Federal deficit.

To implement this philosophy, the Administration is proposing the following legislative changes:

-- The 1986 budget would limit the total annual Title IV aid--grants, direct loans, work-study earnings, guaranteed loans (except PLUS loans)--that any one student may receive to $4,000. This is slightly more than the estimated average cost at four-year public institutions.

-- Student aid would be targeted on those dependent on student financial aid to gain access to a postsecondary institution. Students whose family incomes are above $25,000--approximately the national median--would not be eligible for grant aid, direct loans, or work-study employment.

-- A self-help expectation of $800 would be required in determining eligibility for Title IV grant or loan aid. This is consistent with the principle that since students are the primary beneficiaries of education, they should contribute toward their own educational costs. Work-Study funds would be increased to assist students in meeting this requirement.

-- Students below the age of 22 would be deemed dependent on their parents in determining eligibility for Federal assistance. Exceptions would apply to orphans and wards of the court. Students above this age would have to provide evidence of economic self-sufficiency to be considered independent of their parents. These changes would reduce an area subject to program abuse.

-- A high school diploma or its equivalent would be required for receipt of any Title IV student assistance. Subjective determination of a non-high school graduate's "ability to benefit" would no longer be sufficient to establish eligibility. This would reduce documented cases of abuse in this area.

In keeping with our self-help philosophy, we are again proposing a tax incentive measure to encourage low and middle-income families to save for their children's education. Families would be able to invest up to $1,000 per year in an Education Savings Account with interest and dividends being exempt from Federal income taxes. This type of program would make savings more attractive to low and middle-income families while contributing to economic growth.

Pell Grants

The focal point of our Federal student aid proposal is the restructured Pell Grant program. Our goal of restoring the responsibility of the family and the student in financing postsecondary education costs will be accomplished by: requiring a financial commitment by the student toward meeting the cost of postsecondary education through a self-help expectation, requiring increased family contributions for families with positive discretionary income, and targeting funds to those most in need.

The restructured Pell Grant program is proposed for full funding at $2.691 billion. This request will provide more than 2 million students with average grants of $1,328. Administrative payments of $5 per Pell Grant recipients will continue to be made to institutions for administrative expenses.

The revised Pell Grant program offers the following advantages over the current Pell Grant program:

-- The maximum award would be increased by $200 over 1984 and $100 over the Administration's requested 1985 policy to $2,100. This would provide the neediest students with greater access to postsecondary education. Recipients would be eligible for awards up to 60 percent of educational costs rather than 50 percent. In addition, the minimum award would be reduced from $200 to $100.

-- For the first time, the family's expected contribution (EFC) will be taken into account in all award rules (it is not currently included in the half-cost limit). This will eliminate the inequity that currently exists in the Pell Grant program whereby students with different financial resources attending the same cost institution receive equal awards. This provision will also preserve Federal grant assistance for the neediest students.

-- The requirement that students contribute financially to their own educational costs will re-establish the principle that those who are the primary beneficiaries of higher education should demonstrate a commitment toward financing its costs. Currently, it is possible for certain students to finance their postsecondary education through a combination of a Pell Grant and family contribution with no personal financial commitment.

-- A uniform and more realistic living allowance is proposed of $1,500 for students living with their parents, and up to $3,000 for students living away from home. This allowance is in addition to actual tuition and fees charged by the institution. An allowance ceiling will make living expenses more uniform and thereby treat all students equally.

Work-Study

Consistent with our principle of self-help, a greatly expanded Work-Study program is proposed for which we are requesting $850 million for fiscal year 1986. This request represents a substantial increase of $257.5 million (or 43 percent) over the amount appropriated for this program in fiscal year 1985. The expanded Work-Study program will provide approximately 1,130,000 students--an increase of 342,000 students--with employment opportunities. The average earnings of about $880 will enable those students to more than meet their minimum self-help expectation.

In addition to the substantial increase in funding, the Administration is proposing legislative amendments which are designed to increase institutional flexibility in the use of Work-Study funds. Specifically, institutions will be permitted to transfer up to 50 percent of their Work-Study allocations to the Supplemental Educational Opportunity Grant program. This will provide substantial grant dollars to eligible students. It also serves as a complement to our self-help initiative by ensuring the availability of additional grant assistance and by providing institutions with the discretion to package financial aid according to the particular needs of their students.

Supplemental Educational Opportunity Grants

The Administration is not requesting a direct appropriation for the Supplemental Educational Opportunity Grant (SEOG) program for fiscal year 1986. However, as noted, institutions will have the discretion to transfer up to 50 percent of their Work-Study funds to the Supplemental Grant program. While it is expected that Work-Study funds will be used primarily to support student earnings, the transfer authority is available for special circumstances to assist in completing the financial aid package of a needy student. Should all institutions use the maximum allowance to award Supplemental Opportunity Grants, a potential of $425 million would be available as grants.

Direct Loans

The Direct Loan program will continue to play an important role in the overall budget strategy for student financial assistance. While no new Federal capital is requested for the National Direct Student Loan (NDSL) program for fiscal year 1986, approximately $715 million will be available for new loans from repayments to institutional revolving funds. We estimate that under our fiscal year 1986 policy, approximately 812,500 students will receive Direct Loans averaging $880. This will provide many students, who are unable to secure small loans from commercial banks under the Guaranteed Student Loan program, with an additional Federal resource for meeting educational costs.

The Administration is requesting that the interest rate on Direct Loans be increased from 5 percent to the average of the bond equivalent rates of 91-day Treasury bills auctioned during the quarter ending March 31 prior to the academic year. This is consistent with the proposed change in the interest rate for new Guaranteed Student Loans. Increasing the interest rate will also allow greater return to the institutional revolving fund ensuring greater availability of funds for future years. The amount of $28 million is requested for Teacher Cancellation payments to institutional revolving funds.

State Student Incentive Grants

No Federal funding is requested for the State Student Incentive Grant program for fiscal year 1986. The goal of the program--that of stimulating all States to provide need-based grants to postsecondary students--has been accomplished. All States now have grant programs with most States considerably overmatching the Federal contribution. For example, of 39 jurisdictions which overmatched Federal funds, 30 provided at least 75 percent more need-based grant aid than is required to match the Federal contribution. Nationally, more than $1 billion in State grant assistance was available in fiscal year 1984. State expenditures have continued to expand even as Federal funding has declined or remained at the same level. This suggests a considerable State level commitment regardless of Federal funding and indicates that a Federal stimulant is no longer necessary.

In total, our 1986 budget request will generate over $11.9 billion in aid to students. Our proposals have been carefully designed to maintain the historic Federal commitment to providing access to postsecondary education for needy students, while simplifying the Federal student assistance programs, providing greater equity in awards, reducing program abuse, eliminating subsidized aid for students from higher income families, and restoring the traditional role of parent and student contributions.

1985 Supplemental

The fiscal year 1985 appropriation act provided $3.575 billion for the Pell Grant program, with $250 million to be used to cover shortfalls from fiscal years 1983 and 1984. Our current estimates indicate that another $468 million is still needed for prior year insufficiencies. In addition, the 1985 appropriation act mandated a maximum grant for the 1985-86 academic year of $2,100 and provided for payments of up to 60 percent of educational costs--a sharp increase above the fiscal year 1984 policies of a $1,900 maximum award and payments of up to 50 percent of costs. To fully fund the FY 1985 policy, an additional $351 million above the appropriation would be required, thus creating a total FY 1985 shortfall of $819 million.

The Department's solution for dealing with this shortfall is to propose supplemental appropriation language for 1985 which would limit the maximum Pell Grant a student is eligible to receive during academic year 1985-86 to $2,000, and allow payments of up to

50 percent of costs. This would result in an estimated savings of $351 million while still providing an increase in the maximum grant of $100 over the 1984 level. Without this change in policy, our alternative would be to use "linear reduction" of awards which protects the neediest students while sharply reducing or eliminating awards for all other students. This would result in 260,000 fewer awards than in the 1984-85 academic year.

GUARANTEED STUDENT LOANS

It is a pleasure to be here to discuss the budget request for the Guaranteed Student Loans--GSLs--account. Our budget request for fiscal year 1986 is $2.714 billion, compared with a revised request for 1985 of $3.743 billion. The 1985 revised level reflects a proposed supplemental of $664.8 million in addition to the 1985 appropriation of $3.079 billion. The 1985 revised request is much greater than the 1986 request because the 1985 amount reflects over $513.8 million in 1984-related costs and the 1986 amount reflects proposed legislative savings of $134.0 million in 1985 and of $481.0 million in 1986.

In fact, the funds required for both years under current law exceed $3.3 billion, reflecting the propensity for excessively high and possibly rising costs in the GSL program. Indeed, between 1980 and 1984--during a period of general spending restraint--GSL net obligations increased almost 100 percent, from $1.6 billion to $3.1 billion. The principal costs, interest subsidy payments, are tied directly to Treasury bill rates and loan volume. While the President's economic program has reduced interest rates substantially, an increase in loan volume--both in-school and in repayment--increases the costs associated with interest subsidies. In addition, despite increased efforts to collect outstanding defaulted loans and reduce the incidence of default, reinsurance claims are expected to increase, as a result of that increased loan volume, from an already excessive level of $665 million in 1984, to $800 million in 1985.

The 1986 Budget Request

The 1986 budget strategy for the GSL program is consistent with our overall philosophy for student aid of restoring the responsibility of the parents and the student in financing postsecondary educational costs. It also reflects our belief that subsidies should be provided only when necessary to ensure access to postsecondary education by needy students, and should be capped to exert downward pressure on college costs and to contain Federal costs.

Since passage of the Middle Income Student Assistance Act of 1978, the traditional role of the parents and the student in meeting higher education costs has eroded with higher-income families using low-cost, highly-subsidized GSLs to pay college costs. The expansion in funding has also resulted in an excessive reliance on Federal student aid as a replacement for, instead of a supplement to, other sources of non-Federal financing of college costs. Students are able to receive as much as $11,000 in Federal financial aid--much more than the full cost of attending a public four-year institution--thus encouraging college costs to rise without constraint. In addition, the integrity of the GSL program is threatened by rising interest subsidy costs, unnecessary borrowing, excessive bank profits, rising default costs, and program abuse. Our 1986 budget strategy attempts to control excessive program costs and reduce Federal cost exposure, without reducing access to postsecondary education.

Our policy proposals are based on the following principles: that subsidies should be provided only when necessary to ensure access to postsecondary education for needy students; that borrower costs should be more closely tied to market conditions; that lender yield should be based upon market conditions and lender subsidies should not provide a profit margin greater than that needed to attract adequate lender participation; and that States and territories should share partial responsibility for financing the GSL program and should be encouraged to restrain administrative and default costs. Our proposals would ensure that the costs of the GSL program are spread more equitably among all program participants while continuing to provide student access to postsecondary education. We estimate that under our proposals, over $7 billion will be borrowed by over 3 million students.

Proposals Affecting Borrower Eligibility

To ensure that Federal subsidies are allocated prudently while also ensuring access to postsecondary education for needy students, the following legislative changes are proposed:

-- Eligibility for regular GSLs would be limited to those students with family Adjusted Gross Incomes--AGI--of $32,500 or less--a level 30 percent above the national median income. This would ensure that subsidies are preserved for the neediest students, while still allowing broad access to these subsidized loans.

-- Students would be limited to receiving a total of $4,000 in federally-subsidized Title IV aid--exclusive of PLUS loans--per year. This provision would ensure that the combination of federally-subsidized loans, grants, and work aid does not exceed an amount adequate to meet the cost of a four-year public college.

-- For the regular GSL, the current need analysis requirement would be extended to all family income levels, thus eliminating unnecessary borrowing while ensuring that Federal subsidies are available only to the extent that students demonstrate financial need.

-- Each student would be expected to contribute a minimum of $800 toward his or her educational costs before obtaining federally-subsidized loans. This is consistent with the changes made in the student aid account for grants, direct loans, and work opportunities.

-- Students below the age of 22 years would be classified as dependent on their parents--except orphans and wards of the court--for purposes of Federal Title IV student assistance. Those 22 years of age and older would have to show evidence of self-support and meet other criteria in order to qualify as independent students. Also, all students would now have to have a high school diploma or its equivalent in order to be eligible for Title IV financial assistance. These changes would eliminate areas of documented program abuse.

-- Eligibility for PLUS loans would be expanded to include all otherwise eligible students and their spouses regardless of the student's educational level. In addition, PLUS loan limits would be increased to $4,000 annually for each eligible student and $20,000 cumulatively, not including regular loan amounts. The PLUS loan would be in addition to the $4,000 limit on all other Title IV assistance, increasing the total amount of potential Federal aid per student to $8,000 annually. Since other PLUS program legislative proposals would make this program self-financing, this expansion of eligibility would result in no additional costs to the taxpayer.

Proposals Affecting Borrower Costs

Currently, borrower interest rates for regular GSLs are set at a flat eight percent with PLUS rates set at 12 percent, regardless of current or future market conditions. This results in higher-income families unnecessarily borrowing GSLs when market interest rates are high, rather than relying on their own resources or non-Federal aid sources. Conversely, when market interest rates are low, borrowers are unfairly penalized by the non-responsiveness of GSL rates to more favorable market conditions.

Our proposal would set the borrower's interest rate on regular loans, beginning with loans made for the 1985-86 academic year, at the average of 91-day Treasury bill rates for the quarter ending March 31 prior to the academic year. Beginning with loans made for academic year 1986-87, interest rates for PLUS loans would be determined between the borrower and the lender, subject to a cap of the current 91-day Treasury bill rate plus 3 percent. The rate would be fixed when the loan is made or variable over the life of the loan. These amendments would more closely tie the borrower's cost to prevailing market conditions, thus reducing Federal intrusion into the market place while improving the efficiency of the program.

In addition to the changes in the interest rate, PLUS borrowers would be charged a guarantee fee to cover estimated default and other Federal program costs associated with each year's cohort of loans. For academic year 1986-87, this fee would equal one percent of the PLUS loan amount. The guarantee fee, along with other program changes, would make the PLUS program self-financing.

Proposals Affecting Lenders

Beginning with regular loans made for the 1985-86 academic year, lenders would be required to disburse funds at least twice during the award year. Interest benefits and special allowance payments would be based on loan amounts actually disbursed, instead of the current practice of reimbursing lenders based on the total approved loan amounts, including undisbursed amounts. These changes would relate disbursements more closely with the borrower's actual need for funds during the academic year, would reduce the incidence of default for students who drop-out, and would eliminate unnecessary Federal subsidy costs.

In addition, the current GSL program provides lenders with a yield of 3 1/2 percent above the 91-day Treasury bill rate. Lenders receive this high variable yield for the entire life of the loan without incurring any risk for default, death, disability, or bankruptcy. For regular GSLs, lenders receive this yield even during the in-school period when servicing of a loan is at a minimum. These yields are so attractive to lenders that many actively seek borrowers through advertising and direct mail campaigns.

The Administration proposes, beginning with the 1985-86 academic year, to revise the special allowance formula for regular loans. Lenders would receive a total fixed--in place of a variable--yield equal to the borrower interest rate--that is, the average 91-day Treasury bill rate for the quarter ending March 31 prior to the award year for which the loan is made--plus 1 1/2 percent while loans are in-school, grace, or deferment status, or plus 3 percent while loans are in repayment status. These changes would stabilize special allowance rates at a constant percent of loan principal and would more closely tie lender earnings to the relative costs of servicing loans during different periods of the life of the loan. No special allowance would be paid on PLUS loans beginning with loans made for the 1986-87 academic year.

Proposals Affecting Guarantee Agencies

Guarantee agencies receive substantial support from the Federal Government in operating the GSL program. Currently, agencies shoulder little or no cost exposure for defaults. Death, disability, and bankruptcy claims are reimbursed at 100 percent by the Federal Government. In addition, agencies receive Federal administrative cost allowances of up to one percent of new loan volume, are authorized to charge the borrower an insurance premium of up to one percent of the loan principal for each year the loan is outstanding, receive interest-free loan advances from the Department, and retain up to 30 percent of their collections on defaulted loans to cover collection costs. These payments allow the agencies to finance virtually all of their activities with Federal funds.

Our proposals would require that States and territories bear part of the responsibility for financing the administration of GSL program and would encourage agencies to restrain administrative and default expenditures. This would be accomplished by revising the reinsurance provisions for regular and PLUS loans. The maximum reinsurance level would be reduced from 100 percent to 90 percent of any default claim. For agencies with poor collection records, the reinsurance level would be reduced from 90 to 70 percent or in some instances to 50 percent depending on the ratio of the agency's cumulative net defaults to the cumulative amount of loans having entered repayment as of the end of the prior year. This new reinsurance formula would encourage guarantee agencies to prevent defaults and improve collections by imposing greater financial penalties than under current law for inadequate agency default and collection measures and ensure that agencies incur at least a small, ten percent insurance cost for each defaulted loan.

In addition, agencies would no longer receive the two direct administrative cost allowances or additional loan advances after 1984-related costs have been met, and would be required to repay all outstanding advances, currently totalling $120.7 million, by the end of 1986. Elimination of the administrative cost allowances would require agencies to bear partial responsibility for financing the administration of the program. Loan advances are no longer necessary to help establish or maintain agency reserve funds. Agencies would still be authorized to retain up to 30 percent of default collections and charge insurance premiums to help defray their administrative costs. This would provide more equitable cost-sharing between the Federal Government and the agencies while providing incentives for controlling administrative costs.

Fiscal Year 1985 Supplemental

The President is also proposing a 1985 supplemental of $664.8 million for the GSL program to cover otherwise unmet 1985 interest subsidy costs. Of this amount, $513.8 million will cover unmet interest subsidy costs carried over from 1984. The remaining $151 million will be used to pay unmet interest subsidy costs incurred in 1985. The amount requested assumes non-payment of administrative cost allowances and loan advances after 1984 costs have been paid. The payment of these activities is subject to funding availability. Given the insufficiency in funding for 1985, the Department is suspending all payments for 1985 to conserve funds to meet mandatory program costs. Furthermore, the elimination of the cost allowances and advances would require guarantee agencies to bear partial responsibility for financing the administration of the GSL program.

In addition to the request for additional funding, the supplemental request proposes the following legislative changes, effective for the 1985-86 academic year, which are also proposed in 1986 and discussed above: first, revision of the special allowance to equal 1 1/2 percent before loans enter repayment and 3 percent once they do; second, setting the borrower interest rates for regular GSLs at the average 91-day Treasury bill rate of the quarter ending March 31, 1985, rounded to the nearest whole percent; third, requiring multiple disbursement of loans and payment of interest subsidies only on amounts disbursed; and fourth, reducing reinsurance rates to improve guarantee agency incentives to reduce defaults and increase collections and to insure that agencies bear partial responsibility for defaults.

The proposed supplemental language would achieve savings of $134 million in 1985. Rather than reducing the budget authority required for that year, however, these savings will be carried over into 1986. In addition, all of our proposals together are estimated to save $481 million in 1986. Loan volume under our proposals is estimated to reach $7,547 million--$6,525 million in regular loans and $1,022 million in PLUS loans, a decrease of $394 million from 1985. We also expect the number of recipients to total approximately 3.28 million--a decrease of 116,000 from 1985.

In sum, the amendments I have outlined here will continue to provide access to loan capital for needy students while reducing

Federal cost exposure, strengthening the integrity of the GSL program, and making progress in reducing the Federal budget deficit.

HIGHER EDUCATION

Thank you for the opportunity to present the fiscal year 1986 budget request for the Higher Education account which totals $252 million.

The emphasis of our 1986 budget request for the Higher Education account is on support of the Federal commitment to assist disadvantaged populations. To meet that commitment, we propose to target funds to those activities in the account which assist developing postsecondary institutions serving high percentages of disadvantaged and minority students, and to provide support services for financially and educationally disadvantaged students. Other activities that are narrow in scope and that either have demonstrated the effectiveness of a particular educational approach or are low-priority and nonessential are proposed for termination.

Assisting Institutions which Serve High Percentages of Disadvantaged Students

The 1986 budget request for Higher Education reflects the Administration's continued commitment to assist colleges and universities which enroll a high percentage of disadvantaged students, particularly the Nation's historically Black colleges and universities.

Our 1986 request includes $141.2 million for the Aid to Developing Institutions programs authorized by Title III of the Higher Education Act, the same level as the 1985 appropriation. The 1986 proposal would continue the 1985 set-aside for historically Black colleges and universities.

Grants under these programs would continue to provide Federal financial support to help developing institutions improve and stabilize their management and fiscal operations so that they may become self-sufficient. Increased emphasis would be placed on providing assistance to institutions to develop and expand their endowment programs so that they will be able to operate without Federal assistance in the future.

A number of legislative proposals have been submitted to the Congress for fiscal year 1986 which are designed to improve and simplify the Title III programs. The legislative proposals would restructure these programs by:

- o merging Parts A and B, which are similar in purpose and method of operation, into one program, and maintaining the Endowment Grant program; and
- o simplifying institutional eligibility requirements to reduce administrative burdens and to target funds to institutions serving the most disadvantaged.

These changes would substantially simplify and improve program management without adversely affecting grantees.

In addition to the funds requested for the Aid to Developing Institutions programs, we are requesting $5 million for the Minority Institutions Science Improvement Program, the same level as the 1985 appropriation. This program is designed to enhance the science education programs offered by historically Black colleges and universities and by other predominantly minority institutions. We have also proposed legislation to extend this program since the current authorization expires September 30, 1985.

Increasing Educational Opportunities for the Disadvantaged

To assist disadvantaged individuals gain access to and complete programs of postsecondary education, and to complement the Federal investment in student financial assistance, $82.4 million is requested for the Special Programs for the Disadvantaged. This is $92.6 million less than the amount appropriated for fiscal year 1985.

In fiscal year 1986, funds are requested for only the Special Services and Upward Bound programs. These programs provide intensive, direct services to students and have been shown in recent evaluations to have positive effects on participants. No funds are requested for the Talent Search, Educational Opportunity Centers, and Staff Training programs. These programs provide only limited services to students and duplicate State, local, and institutional efforts and responsibilities.

Legislative proposals have been submitted to the Congress which would target funds to institutions serving disadvantaged students and simplify the programs. Specifically, these changes would:

- require Special Services grantees to share increasingly in the costs of their projects and, after five years, to support such projects without any further Federal support;

- require Upward Bound grantees to provide 20 percent of project costs; and

- eliminate the administratively burdensome and unnecessary requirement that participants be first generation college students, and focus participant eligibility on low-income and physically handicapped individuals.

These changes are expected to result in significant cost-savings, allowing reductions in Federal funding without commensurate reductions in program services. In particular, Federal aid would support only the start-up costs for Special Services programs in order to demonstrate their worthiness for institutional support. Rather than supporting on-going programs, the Department would fund other institutions which have previously been unfunded and thus increase the number of students nationwide receiving services.

Higher Education Construction

The fiscal year 1985 request also includes $23.5 million for the Interest Subsidy Grant program. This amount is required for grants that were approved in prior years to subsidize interest rates on commercial loans for construction projects.

Other Higher Education Programs

The fiscal year 1986 request proposes elimination of several programs in the Higher Education account. These programs are being eliminated for a variety of reasons which I will discuss briefly.

No funds are requested for the Fund for the Improvement of Postsecondary Education. Federal support cannot be justified for this low-priority program in this time of national economic austerity. We believe that institutions themselves have primary responsibility for planning and financing improvement initiatives. Since the publication of *A Nation At Risk* and, more recently, *Involvement in Learning*, there have been steady improvements in education at all levels. These improvements have been made, for the most part, without the expenditure of Federal funds. We expect them to continue without additional financial support from the Federal Government.

No funds are requested for International Education and Foreign Language Studies, both domestic and overseas programs. The activities supported by these programs are now well established, and institutions should assume full responsibility for supporting them. In addition, these activities can be supported through philanthropic and other private sources. Accordingly, we fully expect that support for foreign language and area studies and international education programs will continue to come from State, local, and international sources. Where there are legitimate Federal needs, Government-sponsored efforts to meet those needs are better left to those agencies with substantive interests and specific needs for skilled specialists. Related programs already exist in several of these agencies including the Departments of State and Defense, and the U.S. Information Agency.

No funds are requested for Academic Facilities Grants. We believe it is neither appropriate nor necessary for the Federal Government to assist in generally maintaining higher education physical plant. Responsibility for meeting this type of need lies with State and local governments, taxpayers at those levels, the private sector, and the institutions themselves. In this regard, the Administration's tax, budget, and other economic policies have helped to significantly strengthen the fiscal capacity of State and local taxing authorities, commercial lending and bond markets, and the private sector generally in helping to finance higher education capital outlay, and have also helped to improve the financial condition of colleges and universities themselves.

No funds are requested for the Veterans' Cost-of-Instruction program because it has outlived its intended purpose of assisting postsecondary institutions to provide support services to enrolled Vietnam-era veterans. The enrollment of these veterans has declined dramatically and institutions can support the remaining small number of veterans with traditional institutional service arrangements or activities under the Special Services program.

No funds are requested for the Cooperative Education and Law School Clinical Experience programs. Federal funds were authorized to demonstrate the benefits of these educational approaches. The soundness of both these programs has now been adequately demonstrated. It is in the financial interest of institutions and private organizations to support such programs and institutions should be successful in obtaining private sector support for them.

The other graduate education activities, including Graduate and Professional Opportunity Fellowships, Public Service Fellowships, National Graduate Fellowships, and Legal Training for the Disadvantaged, are all low-priority, discretionary programs. The 1986 budget request does not include funds for these programs since there are a wide variety of Federal and non-Federal sources of financial support available for graduate and professional study. In addition, graduate students who have financial need are eligible for assistance under the Guaranteed Student Loan, National Direct Student Loan, and College Work-Study programs.

Finally, no funds are requested for any of the Special Grants supported under this account--Assistance to Guam, Land Grant Endowments for American Samoa and Micronesia, the Robert A. Taft Institute of Government, and Special Higher Education Projects. Generally, these programs were one-time appropriations for single discretionary purposes and additional funding is not needed.

Fiscal Year 1985 Supplemental

We are proposing supplemental language for fiscal year 1985 to extend the availability of funds appropriated for the Endowment Grants program. This will ensure that funds appropriated for this program will remain available in the likely event that institutions are not able to raise the required matching funds before the end of the fiscal year. Unless they are reappropriated, a substantial portion of the $15,200,000 will lapse at the end of the fiscal year. Because the Department of Education does not obligate these funds until institutions have raised an equal amount in matching funds, it is expected that most of the $15,200,000 would not be obligated until late fiscal year 1986 or early fiscal year 1987. It is possible that the remaining funds would not be obligated before fiscal year 1988. Therefore, we are proposing no-year availability for these funds.

Fiscal Year 1985 Rescissions

We are proposing rescissions of fiscal year 1985 funds totaling $59,750,000, including: $28,000,000 for Academic Facilities Construction Grants; $22,000,000 for Special Higher Education Projects; $6,000,000 for Land-Grant Endowments for American Samoa and Micronesia; $2,500,000 for National Graduate Fellowships; $750,000 for the Robert A. Taft Institute of Government; and $500,000 for Assistance to Guam. These rescissions are proposed as part of the Administration's commitment to curtailing Federal expenditures for nonessential, discretionary purposes.

COLLEGE HOUSING LOANS

I am pleased to have this opportunity to appear before you to present the fiscal year 1986 request for College Housing Loans. This year, as in previous years, we are requesting no budget authority and no new loan authority. In addition, we are requesting supplemental appropriation language to withdraw the currently enacted 1985 loan authority of $40 million.

In both years, the cost of managing and servicing existing loans, including the payment of interest insufficiencies on outstanding certificates of participation in the program's portfolio, will be financed from loan repayments and other income.

We are proposing no new loan commitments for both years in light of the projected significant decline in full-time postsecondary enrollment and the diminishing need for on-campus housing. By reducing new program expenditures this way, receipts and reimbursements into the revolving fund can be used to repay, in part, outstanding Treasury borrowing debt that currently totals nearly $2.7 billion.

Because the Federal Government absorbs the difference between the approximately three percent interest returned on college housing loans and the prevailing cost of long-term Treasury borrowing, this program is being very highly subsidized. In view of what we are asking others to sacrifice to help reduce the Federal deficit, we do not believe this subsidy is justifiable.

Along with our budget and loan authority requests, we are proposing that the program's prepayment discounting authority be extended for an additional year. This past fiscal year, the first year for which we were authorized to offer loan discounts, about $169.2 million in prepayments was collected. An additional $113 million in prepayments was approved by the year's end, although collections on these loans were not posted until the first quarter of this year.

We are pleased to report that the combination of these prepayments and other program income will enable us to meet the full amount of our remaining liability on Government National Mortgage Association (GNMA) participation certificates by the end of this year. In fact, not only are we now in a position to retire these obligations on schedule, but the accumulated fund transfers being held in trust for us by GNMA are expected to earn about $170 million in investment income over the next 3-1/2 years -- income which can then be applied against program operating costs and other portfolio liabilities, primary of which is the outstanding borrowing from the Treasury.

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

I am pleased to have this opportunity to appear before you to present the fiscal year 1986 request for Higher Education Facilities Loans and Insurance. We are requesting $18 million this year under the program's annual appropriation authority, an increase of $3.8 million over the fiscal year 1985 level. No funds are requested under the permanent appropriation authority, and no new loan authority is proposed.

During the period of substantial higher education enrollment growth in the 1960s, this program provided hundreds of long-term, low-cost loans to colleges and universities to finance academic facilities construction and renovation. An annual appropriation continues to be needed to pay for the costs of supporting this portfolio of existing loans--costs that subsume a "built-in" operating deficit resulting from the Department's interest payment on Treasury-provided loan capital being greater than the interest return on the facilities loans themselves.

As in previous years, we are proposing no new loan authority in light of our belief that it is neither appropriate nor necessary for the Federal Government to assist in generally maintaining higher education physical plant. The kind of facilities construction need brought about by the rapidly expanding enrollments of the past few decades no longer exists, and responsibility for more generally maintaining, renovating, and replacing existing facilities lies with State and local governments, taxpayers at those levels, the private sector, and the institutions themselves. In this regard, the administration's tax, budget, and other economic policies have helped to significantly strengthen the fiscal capacity of State and local taxing authorities, commercial lending and bond markets, and the private sector generally in helping to finance higher education capital outlay, and have also helped to improve the financial condition of colleges and universities themselves.

EDUCATION AND RESEARCH OVERSEAS

(Special Foreign Currency Program)

I am pleased to appear before you today to discuss the fiscal year 1986 request for Education and Research Overseas.

The program activities supported under this account supplement similar activities supported by the Department's Rehabilitation Services and Handicapped Research account (National Institute of Handicapped Research) and Higher Education account (International Education and Foreign Language Studies: Overseas programs). Unlike those activities, however, these are funded solely with foreign currencies held by the Treasury which are determined to be in excess of other Federal Government requirements. As the Department requested, no funds were appropriated for this account in 1985. Thus, all activities under this account are currently being carried out with funds carried over from prior years.

Currently, excess foreign currencies are available for India, Pakistan, Poland, Burma, and Guinea. However, given the rapidly diminishing availability of these currencies, we are again requesting that no funds be appropriated for this account. As noted in last year's budget submission, any remaining unobligated funds at the end of fiscal year 1985 will be returned to the Treasury, and no further projects will be conducted under this account.

In 1985, rehabilitation research activities are being carried out through a single $1.5 million grant awarded to India for a period of five years to finance the establishment of six model district rehabilitation centers as part of India's new comprehensive model rehabilitation service system.

Many of the educational activities currently supported under this account in India will be candidates for continuation under a special United States-India Fund for Cultural, Educational, and Scientific Cooperation created by the Congress last year and financed through an endowment of $110 million worth of Indian rupees owned by the Federal Government. I understand that negotiations between India and the United States over the exact nature of the fund are currently at an advanced stage.

This concludes my remarks. My colleagues and I would be pleased to answer any questions you may have.

Biography of Edward M. Elmendorf

POSITION	Assistant Secretary for Postsecondary Education
BIRTHPLACE AND DATE	Oneonta, New York, August 1, 1939
EDUCATION	Hartwick College, Oneonta, New York, 1961, B.A. Springfield College, Springfield, Mass., 1966, M.A. University of Massachusetts (Amherst), 1975, Ph.D.
EXPERIENCE	
PRESENT	Assistant Secretary for Postsecondary Education
1981 - 1982	Deputy Assistant Secretary for Student Financial Assistance
1974 - 1981	President, Johnson State College, Vermont Appointed in 1974 by the Vermont State Colleges' Board of Trustees as the chief executive officer and institutional spokesman
1973 - 1974	Vice President for Administration Acting President, January to June, 1974, Johnson State College, Vermont
1972 - 1973	Doctoral Candidate, University of Massachusetts
1966 - 1972	Dean of Admissions, Financial Aid and Housing Assistant to the President, Director of Summer Sessions, Johnson State College, Vermont
1965 - 1966	Graduate Assistant, Counseling Center, Springfield College, Springfield, Massachusetts
1961 - 1965	U.S. Naval Reserve, Lieutenant
ASSOCIATION MEMBERSHIP	Elected President - Vermont Higher Education Council of Presidents, 1976-1977 Elected Vermont State Representative - American Association of State Colleges and Universities (AASCU), 1977-1980 Elected Vermont State Representative - American College Testing Program (ACT), 1973-1981 Elected New England Personnel and Guidance Association Board of Directors, 1971-1973

Student Financial Assistance

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Pell grants..............	$2,800,000	$2,800,000	$3,575,000	$3,575,000	$2,691,000
2. Supplemental opportunity grants..................	370,000	---	412,500	412,500	---
3. Work-study..............	$550,000	850,000	592,500	592,500	850,000
4. Direct loans:					
(1) Federal capital contribution.......	161,060	---	190,000	190,000	---
(2) Teacher cancellation..............	19,800	4,000	25,000	25,000	28,000
5. State student incentive grants..................	76,000	---	76,000	76,000	---
Total.................	3,976,860	3,654,000	4,871,000	4,871,000	3,569,000

NOTES

2. Authority is requested to allow institutions to use up to 50 percent of their Work-Study allocation for Supplemental Grants.

Guaranteed Student Loans

Budget Authority by Activity*

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Insurance costs.................	---	---	---	---	---
(Obligations).................	($99,408)	($82,800)	($89,900)	($89,900)	($79,400)
2. Reinsurance costs...............	---	---	---	---	---
(Obligations).................	(699,498)	(770,700)	(840,000)	(840,000)	(859,700)
3. Interest subsidies..............	---	---	---	---	---
(Obligations).................	(2,246,292)	(2,737,000)	(2,401,720)	(2,932,566)	(2,362,750)
4. Guarantee agency subsidies......	---	---	---	---	---
(Obligations).................	(85,741)	(---)	(117,000)	(117,000)	(---)
Total.......................	2,256,500	2,840,677	3,079,477	3,744,323	2,714,482
(Obligations)............	(3,130,939)	(3,590,500)	(3,448,620)	(3,979,466)	(3,301,850)

NOTES

* Budget authority cannot be allocated by activity. Budget authority levels, in total, take into account receipts and net unobligated balances. Since receipts and net unobligated balances are not allocated by activity, no meaningful way to allocate budget authority by activity exists.

1. The 1986 Estimate for Insurance Costs excludes $1,500 thousand for data processing services transferred to Salaries and Expenses in 1986. Comparable amounts for 1984 ($1,500 thousand) and 1985 ($1,500 thousand) are included above.

Higher Education

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. Program development:					
a. Aid to developing institutions:					
(1) Endowment grants............	$ 14,270	$ 15,242	$ 15,200	$ 30,400	$ 23,208
(2) All other....................	127,281	119,174	126,008	126,008	118,000
Subtotal...............	141,551	134,416	141,208	156,408	141,208
b. Minority institutions science improvement....................	4,800	4,800	5,000	5,000	5,000
c. International education and foreign language studies.......	30,800	---	32,050	32,050	---
d. Fund for the Improvement of Postsecondary Education........	11,710	11,710	12,710	12,710	---
e. Cooperative education...........	14,400	---	14,400	14,400	---
Subtotal..................	203,261	150,926	205,368	220,568	146,208
2. Student support services:					
a. Special programs for the disadvantaged.................	164,740	82,370	174,940	174,940	82,370
b. Veterans' cost-of-instruction....	3,000	---	3,000	3,000	---
Subtotal..................	167,740	82,370	177,940	177,940	82,370

Higher Education

Budget Authority by Activity -- Continued

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
3. Academic facilities:					
a. Interest subsidy grants..........	24,500	18,775	18,775	18,775	23,500
b. Academic facilities construction grants........................	---	---	28,000	---	---
Subtotal..................	24,500	18,775	46,775	18,775	23,500
4. Graduate programs:					
a. Graduate and professional opportunity fellowships........	$11,000	---	$11,750	$11,750	---
b. Public service fellowships.......	2,500	---	2,500	2,500	---
c. National graduate fellowships....	---	---	2,500	---	---
d. Legal training for the disadvantaged.................	1,000	---	1,500	1,500	---
e. Law school clinical experience...	1,000	---	1,500	1,500	---
Subtotal..................	15,500	---	19,750	17,250	---

Higher Education

Budget Authority by Activity -- Continued

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
5. Special grants:					
a. Assistance to Guam................	—	—	500	—	—
b. Land-grant endowments for American Samoa and Micronesia..	—	—	6,000	—	—
c. Robert A. Taft Institute of Government.....................	—	—	750	—	—
d. Special higher education projects.......................	—	—	22,000	—	—
e. Mansfield Foundation.............	5,000	—	—	—	—
Subtotal..................	5,000	—	29,250	—	—
6. Student financial assistance:					
a. Work-study.......................	5,000	—	—	—	—
b. Supplemental educational opportunity grants.............	5,000	—	—	—	—
Subtotal..................	10,000	—	29,250	—	—
Total......................	421,001	252,071	479,083	434,533	252,078

College Housing Loans

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
1. College housing loans: (Obligations)............	($40,000)	(---)	($40,000)	(---)	(---)
2. Interest expenses on Treasury borrowings: (Obligations)............	(70,218)	($74,000)	(72,000)	($72,000)	($71,000)
3. Interest expenses on GNMA participation certificates: (Obligations)............	(28,138)	(28,138)	(28,138)	(28,138)	(28,138)
4. Loan servicing and facilities management expenses: (Obligations)............	(485)	(1,287)	(500)	(500)	(250)
5. Audits and inspections: (Obligations)............	(22)	(---)	(50)	(50)	(---)
6. Transfer of funds to GNMA participation sales fund: (Amount transferred).....	(248,151)	(115,000)	(114,147)	(114,147)	(---)

College Housing Loans

Budget Authority by Activity—continued

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1985 Revised Estimate	1986 Estimate
7. Redemption of Treasury borrowing debt:					
(Amount redeemed)........	(—)	(—)	(62,000)	(102,000)	(102,000)
Total budget authority..	---	---	---	---	---
(Total obligations).....	(138,863)	(103,425)	(140,688)	(100,688)	(99,388)
(Total transfers).......	(248,151)	(115,000)	(114,147)	(114,147)	(—)
(Total redemptions).....	(—)	(—)	(62,000)	(102,000)	(102,000)

NOTES

4. The 1986 Estimate for Loan Servicing and Facilities Management Expenses excludes $250 thousand for loan servicing activities transferred to Salaries and Expenses in 1986. Comparable amounts for 1984 ($250 thousand) and 1985 ($250 thousand) are included above.

5. The 1986 Estimate includes no amount for Audits and Inspections because these activities are transferred to Salaries and Expenses in 1986. Comparable amounts for 1984 ($22 thousand) and 1985 ($50 thousand) are included above.

6. The 1986 Estimate includes no amount for Transfer of Funds to GNMA Participation Sales Fund because the amount needed to fully redeem the program's outstanding participation certificates (due in 1987 and 1988) will have been transferred by the close of 1985.

Higher Education Facilities Loans and Insurance

Budget Authority by Activity
(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. Interest expenses on Treasury loan capital:				
Budget authority............	$19,711	$13,994	$13,994	$17,896
(Obligations)...............	(33,803)	(30,000)	(30,073)	(27,858)
2. Interest expenses on GNMA participation certificates:				
(Obligations)...............	(6,508)	(6,508)	(6,508)	(6,508)
3. Loan servicing and facilities management expenses...........	135	200	200	100
4. Temporary use of funds for SAFAA disaster assistance:				
(Obligations)...............	(13,659)	(---)	(---)	(---)
5. Transfer of funds to GNMA participation sales fund:				
(Amount transferred)........	(14,450)	(16,000)	(11,275)	(16,000)
Total budget authority.....	19,846	14,194	14,194	17,996
(Total obligations)........	(54,105)	(36,708)	(36,781)	(34,466)
(Total transfers)..........	(14,450)	(16,000)	(11,275)	(16,000)

Budget Authority by Activity—continued

NOTE

3. The 1986 Estimate for Loan Servicing and Facilities Management Expenses excludes $100 thousand for loan servicing activities transferred to Salaries and Expenses in 1986. Comparable amounts for 1984 ($70 thousand) and 1985 ($100 thousand) are included above.

Education and Research Overseas
(Special Foreign Currency Program)

Budget Authority by Activity

(dollars in thousands)

	1984 Appropriation	1985 Estimate	1985 Appropriation	1986 Estimate
1. Rehabilitation research..........	—	—	—	—
(Obligations)..................	($49)	($785)	($1,550)	(—)
2. Education activities overseas....	1,133	—	—	—
(Obligations)..................	(1,352)	(1,316)	(1,450)	(—)
Total........................	1,133	—	—	—
(Total Obligations)...........	(1,401)	(2,101)	(3,000)	(—)

STUDENT FINANCIAL AID SUMMARY STATEMENT

Dr. ELMENDORF. I would like to summarize, if I might, the statement that we have presented to you for consideration, beginning with the student financial aid programs.

The amount of $3.569 billion is what we are requesting in this account for fiscal year 1986. We think that this properly restores the role of the student and the parents in terms of their primary responsibility for the financing of college, and also clarifies somewhat the Federal Government's role. We think that there has been considerable and dramatic growth in the program since 1978, going from $3.7 billion to $8.6 billion in a 7-year period of time. There has been an excessive reliance on Federal student aid, which I think abuses the spirit and the intent of these programs as a supplement to, but not a replacement for, other sources of financing.

Some of the principles we are attempting to impart would be that the parents and student still retain the primary responsibility for financing postsecondary education, and that we must reduce excessive reliance on Federal student aid. We are trying to, in fact, reduce subsidized aid to those from the higher income levels, and we are trying to continue to target the aid to the neediest students.

The award cap of $4,000 that was proposed in January is about the level of cost of most 4-year public institutions in this country. The $25,000 cap on income is a level which we think is acceptable to discern between those who should continue to get highly subsidized aid, and $800 is the level of self-help which we think is already essentially being required by most financial aid officers as a part of a summer earnings expectation for most students. We are attempting to make it a more formal part of the contribution from students.

In terms of independent students, we are proposing a change in that definition. This is an area where we have detected significant abuse in the use of Federal financial aid funds. In fact, in one recent study it was the single-most important item in terms of abuse.

We also believe that we can demonstrate that some States, including Pennsylvania and California, have stricter definitions for determining independent student status than the Federal Government has.

Another element is to eliminate the ability to benefit provision which allows students without a high school diploma or its equivalent to get Federal financial aid. We do this on the basis of GAO reports of significantly higher dropout rates among those students, and also a laxer requirement for testing in that area.

Finally, we would propose again the educational savings account of $1,000 annually to provide tax free interest for parents of students who plan ahead for college.

PELL GRANT PROGRAM

The first program, and obviously the most controversial, is the Pell Grant Program. Again, we hold the principle of targeting aid to the neediest students. The funding that we are asking for is $2.691 billion.

More than 2 million students will benefit from that. The average award will increase by $176 to $1,328. We also would retain the administrative allowance. The maximum award would be increased to $2,100 from $1,900. We would allow for funding of the provision that Congress passed last year that allowed 60 percent of the cost of attendance in lieu of 50 percent under current law, and a maximum grant of $2,100. We are not requesting this in fiscal year 1985 where we have significant Pell funding problems, but would ask Congress to consider an alternative proposal that we have presented.

The other consideration that I think is significant because it has an impact not only on the College Work/Study Program, but on other programs as well, is the living allowance. We are proposing that it be raised at a cost of some $200 million in the Pell Grant Program for students not living at home with their parents, and not living on campus, but living in the community. That essentially would be a $1,000 increase in figuring the cost of attendance for any student.

COLLEGE WORK/STUDY

The second major program area is work/study. Again this year, we are asking for $850 million, with average awards of $880 to over 1.1 million students. We have an increase of 342,000 awards there, which is a 43-percent increase. We think that also provides extra help not only in meeting the $800 self-help requirement, but also for graduate students who are not eligible for Pell grants or the SEOG Program.

The final provision in work/study is that flexibility is given to the aid officer so that up to 50 percent of all of the work/study money allocated to an institution could be transferred to the SEOG Program and used for grant money.

In the SEOG Program, with the transferability of up to 50 percent of work/study funds, we are not asking for any new funding, but we are asking you to keep the authority on the books so that money can be spent by the institutions at their discretion in this area.

DIRECT LOAN PROGRAM

In the Direct Loan Program, approximately $700 million will be available from revolving funds at institutions. The average award is projected to be about $880 for 812,000 students. We ask also that the interest rate on this program move from 5 percent, where it is now, to the same as the Guaranteed Student Loans Program, which would be the 91-day T-bill rate.

Finally, in the Direct Loan Program, we are asking for $28 million in teacher cancelations.

The State Student Incentive Grants Program is a program for which we have for the last several years requested no funding because the purpose of the program has been met. All of those States that were intended to be in the program are now in it. We have 39 States that clearly overmatch the amount of money that the Government gives them, and 30 of the States provide 75 percent more aid than is required. We expect that in 1984 there will be over $1.4 billion available in State grant programs. The States in recent years have been generous in providing 7 and 9 percent increases to the fund.

Overall that comes to approximately $12 billion in total aid available, including the matching money by the institutions that is required under law. We feel that our request will simplify some of the programs that we have now and will continue to provide equity. It will eliminate the subsidies that exist now for higher income families and will restore the traditional family role.

1985 SUPPLEMENTAL REQUEST

We ask that a 1985 supplemental be considered as well. There is a shortfall expected in the Pell Grant Program of some $468 million for fiscal year 1984. If we continue unchecked, that will grow to $819 million by the end of 1985 using the $2,100 maximum cap and the 60-percent cost of attendance.

We have proposed an alternative to the Congress that a $2,000 maximum grant and a 50-percent cost of attendance be implemented for fiscal year 1985 only. That would provide aid to about 2.8 million recipients, which is very close to what is being provided right now.

Without this change, the Department, under the law, has no recourse but to implement the formula called linear reduction, which would, in fact, eliminate about 260,000 students from the program, and would increase the maximum grant for low-income students as we would drop out about 260,000 students from the higher income families.

That closes my summary of the "Student financial aid" account. I would now like to summarize our request for the "Guaranteed student loans" account.

SUMMARY OF GUARANTEED STUDENT LOANS STATEMENT

In fiscal year 1985, we are asking for a revised budget of $3.7 billion, and for fiscal year 1986, $2.7 billion. The 1985 revision is required because there is approximately $664 million in excess costs incurred in 1984 and expected to be incurred in 1985 to cover the special allowance and in-school interest costs of the program.

We are expecting that some of the savings from budget changes, namely about $134 million from 1985 and $481 million in 1986, would help to offset any future charges to that program.

The program has grown from about $1.6 billion to $3.1 billion in just the 4 years since 1980 in terms of budget authority, and I find this year that we are going to be paying out about $800 million in default claims as a result of students who are not making good on payments for their student loans.

We believe that a subsidy should be provided in this program but only to the extent necessary to assure access to postsecondary education. We also believe that the program should be capped to try to exert some downward pressure on college costs and to contain Federal costs as well.

We are concerned about the integrity of this program, which, I think is in jeopardy because of rising subsidy costs, unnecessary borrowing, excessive bank profits, rising default costs, and program abuse. Our strategy is to attempt to try to control these through caps and proposals affecting guarantee agencies, lenders, and borrowers.

Essentially, the principles we are following in the Guaranteed Student Loans Program are that the borrower cost and the lender yield ought to be tied to market rates. We think that the lender subsidies need to be made, but not to the extent that an excessive profit is made on the program at the expense of the taxpayer. We think that the guarantee agency should share with the Government in the profit and in the risk of defaults in the program.

BORROWER ELIGIBILITY PROPOSAL

To do that, we propose legislation in the area of borrower eligibility that would put a $32,500 adjusted gross income limit on those who could borrow subsidized loans. In the recent budget compromise, that limit has been raised to $60,000. We also have proposed a $4,000 federally subsidized title IV cap that has been replaced in the budget compromise by an $8,000 cost or price cap instead of an award cap.

We will continue to advocate a full needs analysis. In other words, anyone who gets a guaranteed student loan should fill out a needs analysis form. We continue to advocate the self-help contribution of $800. We continue to advocate an improved independent student definition, although that, too, in the compromise has been proposed for change from the original administration proposal.

We will continue to advocate eliminating the ability to benefit provision, and we will attempt to assure that the higher-income level family is able to pay their fair share and still have access to postsecondary education.

In terms of borrower costs, we are advocating changing the fixed price interest rate now set at 8 percent to whatever the T-bill rate happens to be. That, in fact, will cost us some money in the early years because of the outlays the Government makes in paying the full in-school interest subsidy to the bank for the time the student is enrolled.

We also will charge a 1-percent guarantee fee on PLUS loans to try to offset any defaults that might accrue in the PLUS Program. As far as the proposals affect lenders, our sense is that the largest single cost in the program is the special allowance. We think that the special allowance can be changed. Our original proposal was to allow for a 1½-percent in-school subsidy as opposed to the current total return of T-bill plus 3½ percent, and a 3-percent special allowance during repayment. The special allowance is paid, by the way, over the life of the loan, which is 10 years.

GUARANTEE AGENCY COSTS

In terms of guarantee agencies, we also feel savings can be made in this area. We would like returned from the guarantee agencies any loan advances and we would repeal the administrative cost allowances that have been provided to them. We think that the same degree of subsidy is no longer necessary since 56 agencies are up and running. In terms of the shared costs of defaults, we have made a proposal that any loan would be reinsured only up to 90 percent. Those agencies which have default rates of 5 to 9 percent would only get a 70-percent reinsurance from the Government, and 50 percent if their default rate is over 9 percent. That is also one of those items that were shifted in the proposed compromise. The reinsurance rates went from 90 to 80 to 70, rather than 90 to 70 to 50.

1985 SUPPLEMENTAL REQUEST

The supplemental request for guaranteed student loans is comprised of about $513 million from interest subsidy costs of 1984 coupled with $151 million anticipated for 1985, for a total of $664 million. These figures are based on the assumption that some of the legislative changes that we are proposing begin as of July 1, 1985. They include the 1.5- and 3-percent special allowance formula, the new Treasury bill interest rate for borrowers, the multiple disbursements provision, and the reduction of the reinsurance rates.

We would carry into 1986 any savings realized in 1985 from the new legislation, namely about $134 million, and also from implementation in 1986, we achieve $481 million in savings.

The overall impact on this program is about a $394 million reduction in loan volume and about 116,000 fewer loans would not be made in 1986 than are currently being made in 1985.

That concludes my testimony, Mr. Chairman, on the "Student financial aid" account and the "Guaranteed student loans" account. I will be happy to take any questions you might have.

BASIS OF BUDGET PROPOSAL

Senator Weicker. I am trying to explore the philosophy of the administration, at least insofar as the numbers they produced on this matter, as it has caused some furor, and I think properly so, on the matters of cutbacks in student aid, loan guarantees, Student Guaranteed Loans Program, et cetera.

First of all, let me ask you this, where did the idea originate? Was this a matter of you and your staff, on the basis of education criteria, creating these cuts, or was a certain budgetary effect to be achieved?

What came first here, the chicken or the egg, insofar as those cuts are concerned?

Dr. Elmendorf. Mr. Chairman, in the proposals that we made, in the process of determining what the budget would be, we considered both educational and economic factors. We made multiple proposals; not all of our proposals were accepted.

My sense is, and I can't speak for the final determining authority on this budget, but it is clear that the economic factors override the educational ones in the sense that we are trying to get a financial handle on a program which is used for educational purposes. But as a result of its dramatic growth, it has now essentially spun out of control and it is costing the taxpayer more than it should in order to provide access to postsecondary education for most of the students in this country. About 5.5 million of the 12 million students enrolled receive some form of student financial assistance.

Senator WEICKER. But don't you think that it was bound to happen, that this program would grow just in terms of the number of people out there, the numbers that did not have access to higher education? Now that that opportunity has been presented, it seems to me it is inevitable that it would grow and, I might add, should grow.

Dr. ELMENDORF. I think that one of the principles we have tried to establish is that growth ought to be reasonably controlled without jeopardizing access. One of the ways to do this is to look back at what Congress did in the program prior to 1978. Before that time, they made a very clean and distinct line between what a subsidized eligibility level would be and a nonsubsidized level.

In fact, $25,000 was in the law as the difference between those who would get a subsidized loan, and those who would not. The point is, I don't think we are asking for something very new, but we are asking for it to be restored.

The difference between the $32,500 adjusted gross income cap originally proposed and the $60,000 that has been discussed in the compromise is considerable, but the idea of imposing some type of eligibility is not a new idea. The idea of a cap, an award cap at $4,000 or a price cap at $8,000, is another one of the factors in our proposal that tries to put some type of a check or control on these programs.

We continue to preserve access for the lowest income, but we do not follow the philosophy that any student from any income level family can attend any priced educational institution and have the Government pay the difference.

I don't think that I have seen this written in any of the laws, and I don't think that that is the intent. As long as we preserve that opportunity for the low income, I think we have met the intent of the law.

Senator WEICKER. But it is not quite as simple as that. The student's academic ability, obviously, will determine to some degree where that student is going to go.

Dr. ELMENDORF. Exactly.

Senator WEICKER. I might like to go to MIT, but I know darn well that I don't, very frankly, have the grades or the brains to get to MIT. So it might be that I will have to select another institution more adapted to whatever my ability is. So I don't think that it is just a matter of money.

Dr. ELMENDORF. It is not in the sense that the $8,000, if you want to use that figure, is a figure that meets 99.9 percent of the cost of all of the public institutions in this country and 65 percent of the cost of all the private institutions. I think that we have pretty well covered the waterfront on a reasonable figure to put in there by which access and choice, to some degree, could be met.

Senator **Weicker**. I get a little worried about the figures, and I want to continue that line of questioning. I don't want to get away from it, but when I see as a matter of a compromise going from $4,000 to $8,000, or going from $32,000 to $60,000, I am just wondering how much precision went into devising the original figures presented to us, and that is why I asked the question to see whether they were driven by budgetary considerations as compared to academic considerations.

Dr. **Elmendorf**. I was not a part of the compromise, Mr. Chairman, but I can say that there is a big difference between $32,500 and $60,000. Perhaps, and I am not speculating, one of the things that I would like to have seen discussed more clearly would have been the arbitrariness of the $32,500 limit without any other factors included, such as the number of students from the same family.

Senator **Weicker**. I am glad that you got to that.

Dr. **Elmendorf**. I think that the $32,500 figure is one that would more adequately cover those exceptions for families with one, two, or three children in school at the same time, and perhaps some of the other factors that are now considered in a very complex needs analysis.

EFFECT OF PROPOSED INCOME CAP

Senator **Weicker**. How would you come at that problem, because it is a problem, and I am not so sure that the $60,000 figure is adequate as the response to the problem that you raise. My God, if you have four kids in college, it seems to me that even at the $60,000 figure choices are going to have to be made as to who goes and who doesn't go.

Dr. **Elmendorf**. Let me disagree with you on that last statement on who goes and who doesn't go. I don't think the decision to go to college is one that considers the cost of that college or the student financial aid as even one of the top three criteria. Most of the marketing that is done by institutions of higher education on why students choose a particular college doesn't list financial aid as one of the top three factors. Generally, it has to do with where their parents went to college, how close to home the school actually is, whether their girlfriend or boyfriend is going to that school, and there are other social factors—career choice, curriculum factors, reputation of the schoool—that enter into that.

However, to say that over $60,000 doesn't garner them any access to any Federal aid is not correct to this extent. The purpose of raising the PLUS loan limit from $3,000 to $4,000 and extending eligibility to the spouse of the student, in addition to the student going for an undergraduate education and the parent of the student, is to further assure access. It really does give that higher income family earning over $60,000 an opportunity to borrow or the student to borrow an additional $4,000. It does extend the reach for the family to a higher cost institution if that is their preference.

Senator **Weicker**. With your various proposals on income limitations placed upon the student financial aid eligibility, we understand that 808,000 students would lose Pell grants and 1 million fewer current borrowers would not be eligible for GSL's. In Connecticut alone, it would mean a loss of $70 million in student aid. Further, 24,000 of the current 62,000 GSL borrowers would lose some or all of their loans.

I would comment, in an ancillary fashion, that all of this is being proposed at a time when tuitions are increasing at double the rate of inflation.

What do you estimate is the number of students who would not be able to attend institutions of postsecondary education due to the loss of Federal assistance?

Dr. **Elmendorf**. Mr. Chairman, I will have to respectfully say that I don't think these proposals are going to result either in dramatic shifts from one sector to the other, or in denying access to students who desire to attend institutions of higher education.

I have looked, too, at State impact statements from Tennessee and other States. They were actually given to me at the same time that they were given to the Senator. When I look through the statements, one major fallacy I find in the way States cost out the impact of these proposals is that they fail to include any borrowing whatsoever in the PLUS Program and, second, they fail to take into consideration the increases we propose in Pell grants, for example, for those students that might be living off-campus at the University of Connecticut because they cannot get into a residence hall.

We would propose raising the cost for those people who have to live off-campus by $1,000, and that was not included in most of those equations.

My sense is, there may be some change, obviously there will be, but I don't think it will be anywhere near the megachange that is suggested by some States because they don't factor in those other elements.

Senator **Weicker**. I don't see how you are going to take $600 million out of the budget and not think that there are going to be some changes.

Dr. **Elmendorf**. There will be some changes, but it isn't going to be to the low-income students, and it is not going to occur in a way that would be detrimental to the student who comes from the existing population.

Right now, 95 percent of all the money in Pell goes to students who come from families with incomes under $27,500. If we lowered that to $25,000, the $2,500 difference is where some of those 808,000 drop out of the Pell Grant Program.

Senator **Weicker**. How many fewer students would receive GSL's and Pells under the compromise than are receiving such assistance at present?

Dr. ELMENDORF. In the GSL Program, we expect that less than 118,000 fewer students would be able to borrow under our proposals. In the Pell Grant Program, I think it was about 808,000 fewer. I do not have estimates on the compromise.

STUDENT AID ELIGIBILITY FACTORS

Senator WEICKER. Your budget proposes to place a family income limitation of $32,500 beyond which students would not be eligible for guaranteed student loans. The so-called budget compromise would raise the limitation to $60,000.

Under either proposal, would eligibility for GSL's take into account such factors as the number of family members attending, and I think the answer to that is no, isn't it, that does not change with the budget compromise?

Dr. ELMENDORF. That is correct.

Senator WEICKER. I think I am looking for answers. Do you have a suggestion on that, as to how we can take care of this problem?

Dr. ELMENDORF. I don't want to be the originator of a third budget compromise, but in my opinion, I think whatever limit is agreed to, there are factors that will always be excluded from that limit that are equity factors now under the current law. My own opinion is that we have too many equity factors under the current law. We try to measure everything that moves. In fact, one of the reasons why we have such a significant error rate in the Pell Grant Program is because you can't measure very well the equity a person has in a house, and say you have to take that equity and transform it into dollars for college for that student. You don't go around selling your house.

My sense is that if we get to the elements that make a difference and that can be verified, we can make the program not only equitable, we could make it accurate.

FEDERAL ROLE IN HIGHER EDUCATION

Senator WEICKER. The people that I talk to on this matter are not in any way decrying the Federal role in higher education. Indeed, they are very proud of what the Government has established. The two areas that I think affect the man on the street negatively in this area are, No. 1, the student loans that are not paid back; and, No. 2, those that obviously have adequate financial resources, and by that I really mean adequate, not even close to the line that take advantage of these programs. Those are the two areas of concern, and I don't find any other area of concern or dissatisfaction with what has been an enormously successful program.

I am terribly concerned, as I think other Members of Congress are, that we are denying the opportunity for an education by virtue of these financial cutbacks or limitations, for whatever reason. This is one of the great strengths of the Nation.

Then when I go ahead and read, and I might also add, the comments from former Secretary of Education Terrell Bell, and in this he is joined by every academician that I have had a chance to talk to, that the proposed legislation would result in a transfer of thousands of students from the private to the public sector, I get some real doubts. Everybody would indicate that this very well could happen by virtue of what the administration proposed. Would you like to comment on that?

Dr. ELMENDORF. The first comment I would make is, I have read former Secretary Bell's statement and I have also listened to the same people who are talking to you. I do think that those two concerns are legitimate ones—the concern about the rising cost of default, and the concern that there may be people of a high-income level who are gaining access to a highly subsidized program and ought not to.

I believe the cap is aimed at trying to curtail access beyond an income level that should be able to afford to borrow a PLUS loan, which is also a guaranteed loan.

One of the points that I have to make first to most of those people who criticize either the $32,500 or the $60,000 level is that the difference in the cost to the Government is $3 for every $8 the student borrows for all of those under either cap. The cost to the Government for borrowing the PLUS loan, which we guarantee if the student fails to repay, is negligible because it is closer to the market rate. It still provides additional money for college. The parents can use the PLUS loan to pay their parental contribution if they wish. That is a first point to make, I think, and it is a good point.

The other point is that I can't sanction or tolerate the fact that with $29 billion out there in matured paper, or paper that is ready to be collected on, we are paying banks $800 million a year in default claims. Why can't we take some of these proposals that make a great deal of sense in terms of restricting eligibility, limiting lenders' profits, preventing guarantee agencies from keeping money that they ought not to, making interest rates comparable with market rates, and having agencies share in the risk of default? We are paying 100 percent on the dollar every time someone defaults on a loan. These are the kinds of changes that I think make good sense and when I talk to the people who are critical of the budget, they understand that.

Ninety-three out of every one hundred students pay their loans back in the Guaranteed Student Loans Program, but the program is so large now that the 7 percent who don't are costing us a considerable amount of money and causing us to come back and ask the Congress for more money, or put in a provision for an insurance fee like the 1 percent that I just mentioned in the PLUS Program.

The third point deals with who gets what aid, and if we look at the public, private, and proprietary sectors, the private sector seems to be the one that is most vociferous about these changes. It comprises about 19 percent of the total enrollment, but right now they get almost 30 percent of all the dollars.

The public school students, about 9.6 million of them, comprise almost 69 percent of the total of all the enrollment in higher education, yet they get only about 55 percent of the money. The proprietary schools which are growing more rapidly than either of the other two sectors, comprise now about 12 percent of the population, and they get 15 percent of the money. So we are seeing dramatic shifts, and we are seeing that the private colleges do get a considerable amount more in percent of money available than they represent in the population.

I would defend that on the basis that we are a diverse Nation. We have 3,600 institutions of higher education. It is our intent to have public, private, and proprietary schools. The Congress intended this. It is part of our societal goals and I think we should support it, but I don't think that we should support it at the level that some institutions charge, $9,000, $10,000, $11,000, and $12,000, and expect to have the Government pay the full cost.

Senator WEICKER. I can't get into that. There is invariably a reason why some of those costs are high having to do with the quality of the faculty, the programs offered, or whatever.

I agree with you there is no reason, and I expect that my friend Bill Proxmire is going to get on this, for that 7 percent who are not paying their loans back. Nobody is expressing any sympathy on this side of the table for that group. They are just hurting the heck out of those who are participating.

DEBT COLLECTION

There may be something that we ought to be doing in terms of loan collections, or whatever, to get after them.

Dr. ELMENDORF. Yes, sir; you have done it. You helped in 1982 with the Debt Collections Act which finally gave the Government some authority to (*a*) refer these names to credit bureaus, which we couldn't do before, (*b*) you gave us authority to essentially offset Federal employees salaries who have defaulted on their student loans, and (*c*) you gave us the authority to go out and get private sector collectors to help us on collection.

Senator WEICKER. How are we doing on that?

Dr. ELMENDORF. We are doing very well in all three of those areas.

Senator WEICKER. Within this span of time, what has happened to this collection rate?

Dr. ELMENDORF. We have reduced the default rates and increased collections. There are multiple programs. This year we collected $1.1 billion on Federal loans, including college housing loans that were either prepaid or paid back as due, defaulted GSL's for which we recouped the difference between what the guarantee agencies collected less their 30 percent collections commission, plus what the institutions themselves collected out there under the National Direct Student Loan Program. That program has a different default rate. The net default rate, for example, under the GSL guarantee agency programs is about 4.4 percent. For national direct student loans, which is the oldest of the loan programs, it is about 9 percent in that the institutions have turned over to us those loans they can't collect. We try to collect on them, and then we turn them over to private sector collectors. The private sector collectors have collected about $55 million out of $77 million totally, less their discount. I think that we are doing very well.

We, just last year, collected $90 million at the Department of Education in Federal student loans in default, and that is twice what it was when I came to Washington 3 years ago.

BASIS OF BUDGET PROPOSALS

Senator **Weicker**. I am going to turn matters over to Senator Proxmire because I have the small business community that is reacting to another one of the reforms of the Reagan administration, the elimination of the Small Business Administration, that I have to address.

My suggestion is, if I have to predict what action the Senate will take, it is to substantially alter the recommendation of the administration in its budget proposal, to the point where I don't think much of what the administration proposed in terms of cuts is going to occur.

Having said that—and I feel quite good about that because I don't think that a large meat ax approach fits the circumstances—it is clear to me that many of the things that you have in mind could be very beneficial to the program, and I don't want that to get lost in the shuffle.

No. 1, coming at this budgetarily rather than educationally, I think, is wrong. Having said that, it certainly is up to us to sit and get from you ideas which do apply to education. Since I am not the budget man around here in terms of the overall budget, my idea is to get the best education for the maximum number of Americans through the best possible programs.

My concerns are, as I have said before, that this was arrived at by virtue of budgetary concerns and not educational concerns. But having listened to you, I also understand very well that there are matters that seem to me could benefit from the type of innovative thinking that you are obviously carrying on with your people and in your own mind.

I don't want to close the door on you when I know what we are going to do, what the Senate action is going to be. It is going to be very much contrary to what the administration proposed. I also recognize that you have obviously given some of these matters some deep thought, and whereas we might not agree on many of them, in certain areas I think we ought to be listening to you.

CONCERNS FOR REAUTHORIZATION

Dr. **Elmendorf**. I would agree that we are talking about a major revamp of programs through reauthorization, and that obviously is the appropriate time to take on the whole of the programs because that is what stays with us for the next 5 years.

My sense is that you can help more specifically in an area in which I have some authority right now. I am in charge of all the debt collection for the student loans in the Department. We changed that about 3 months ago to centralize it in my area. We have Senate bill 491, introduced by Senator Quayle, which revisits the Debt Collections Act of 1982, and adds to it such things as making loan checks copayable to students and institutions, taking the 6-year statute of limitation which doesn't apply——

Senator Weicker. You mean the check would go directly to the institution.

Dr. Elmendorf. The copayees both would have to sign off on it.

Senator Weicker. I think that is something that ought to be done.

Dr. Elmendorf. We would ask that independent fiscal and compliance audits be submitted every 2 years for guarantee agencies. We would try to eliminate the requirement that the national direct student loan has to be in default for 2 years before we get it. We think that some are so worthless after 6 or 8 months in trying to collect them, that we ought to be collecting on them right away; that way we can collect better.

We think that the eligibility requirements need to be tightened up so that any students in default on any loan at any time, and who transfer to another institution, ought not to get access to any student aid money until they pay up their past obligations. These are all provisions that we would ask for.

Senator Weicker. I can't make judgments on the overall package, not having seen it, but I repeat, I am more than willing to go out there, much to the consternation of the administration, and bat for more money for education. Having said that, I don't see why anybody has to foot the bill for somebody who doesn't want to meet their obligations. I have absolutely no sympathy for that at all, none whatsoever. This is an area that obviously we are going to have to go ahead and focus on.

As you said, as the program increases in size, the dollars increase, and 7 percent of that is big money, very big money. What are we talking about in dollars just out of curiosity, that 7 percent?

Dr. Elmendorf. We have about $3.1 billion in default just in GSL, and when I add the national direct student loans in, that is another $1 billion. We are almost up to $4.4 or $4.5 billion in default totally.

Senator Weicker. As far as I am concerned that is money that ought to go to other students, period. I have no problem with that.

Senator Proxmire.

Senator Proxmire. Thank you, Mr. Chairman.

Dr. Elmendorf, you are an extraordinarily well qualified official. It is too bad that we can't have everybody in the Federal Government, including Senators, as well qualified as you are. You have a fine background.

I notice that you are also a great utility infielder here. You are the witness this morning on student financial assistance, guaranteed student loans, and then we have a new witness on continuing education, and that is Dr. Edward Elmendorf. Education facilities loans and insurance, Dr. Edward Elmendorf. College housing loans, Dr. Edward Elmendorf. Education research and training, Dr. Edward Elmendorf.

It is extraordinary. I have been here a long, long time, and it is the first time that I have seen a witness who is as versatile as this, and I have been very impressed by your answers to the questions asked by the chairman.

STUDENT SELF-HELP

Dr. Elmendorf, this year the budget request includes a student self-help requirement of $800. Last year, the budget request proposed $500. Can you tell us why there is a difference?

Dr. ELMENDORF. I think if we take a look at what is already happening in higher education, without any formal legislative action, we know that student aid officers are expecting from students, as a part of their contribution on an annual basis, somewhere between $700 and $900 from summer earnings. Whether they earn it or not is irrelevant, it is still expected. It has been and will continue to be included in the formula.

Our provision of putting that in the budget simply is to say that what is being done informally should be required formally.

Senator PROXMIRE. Doesn't it have the effect of discouraging students with a low income, minorities, and others, who have difficulty getting jobs? As you know, we have a very, very high unemployment percentage for teenagers, young people, and that is an additional requirement, isn't it?

Dr. ELMENDORF. We have some legislation that has been proposed for a subminimum wage for teenagers to allow them to be able to get additional jobs. We are trying to put over $258 million more in the College Work/Study Program so that new money can be made available, and approximately 342,000 more students could earn that during their school year, but work/study goes during vacation periods, and in many cases goes over the summer.

So we are trying to create ever more opportunities, and we hope that the $800 is not going to constitute a barrier to anyone who is choosing between public, private, or proprietary institutions for next year.

INCOME CAPS

Senator PROXMIRE. The situation keeps changing and shifting, but the administration position is still that you want to target student aid to the neediest students by limiting grants to families with adjusted gross income of $25,000 or less.

Dr. ELMENDORF. That is our original position, and until something else changes, that is where we stand.

Senator PROXMIRE. In spite of the fact that there has been talk about a $60,000 limit?

Dr. ELMENDORF. The $25,000 income limit for receiving campus-based and Pell funds is still our proposal. However, you are correct in saying that there is discussion on a compromise that would eliminate that altogether for the Campus-Based and Pell Grant Programs, and there would not be an income level. The income level, however, in the Pell Grant Program right now tops at about $27,000. It is not a significant decrease from $27,000 to $25,000.

Senator PROXMIRE. Will any allowance be made for the number of dependents supported by such an income?

Dr. ELMENDORF. Under the current provision, no.

Senator PROXMIRE. Why not?

Dr. ELMENDORF. The basic philosophy is that with a $25,000 adjusted gross income, you have approximately the median income of most families in the United States.

Senator PROXMIRE. If you have three or four children in college, and I know a number of people who have, at one point I had that situation, the burden is far different than if you have one.

Dr. ELMENDORF. Senator, you are maybe going to find this strange, but from a personal perspective I think that this is an item that needs to be considered in whatever the final determination is regarding the $25,000 level. However, if the $60,000 level is implemented for the Guaranteed Student Loans Program, I don't think that you need any other factors, other than that simple cap at $60,000, below which you get a subsidized loan, and $60,000 or above, you get a PLUS loan.

PARENTAL CONTRIBUTION

Senator PROXMIRE. In 1978, almost 81 percent of all parents made some sort of contribution to their children's postsecondary education. Five years later, the percentage dropped by 10 points. Has it dropped any more since 1983?

Dr. ELMENDORF. No, sir; our data show that the parental contribution which had been dropping, as you correctly state, is now being restored in the last 2 years, and according to this year's data, and there was an increase in parental contribution.

Senator PROXMIRE. But it is still well below the 81 percent of 1978; is that correct?

Dr. ELMENDORF. The 81 percent——

Senator PROXMIRE. It was 80.8 percent in 1978 of all parents who made some sort of contribution to their children's postsecondary education. As I said, it was 10 points less than that in 1983.

Dr. ELMENDORF. It is coming back.

Senator PROXMIRE. It is coming back, but can you give me the degree to which it is coming back, and why there was such a shift?

Dr. ELMENDORF. We will get you, for the record, a statement on the last 2 years. In the Pell Grant Program, what we do know is that the phenomenon is more of a societal one. We have had a dramatic increase in the number of students who are declaring themselves to be independent of their parents. We now have more students in the Pell Grant Program independent of their parents than dependent. A few short years ago, 38 percent were independent, and that has now moved to 51 percent.

[The information follows:]

Comparison of average parent contribution, percent contribution, first-time, full-time dependent students

Academic year and type of institution	Percent parental contribution[1]
1978:	
Public	79.3
Private	84.2
All	80.8
1979:	
Public	76.7
Private	83.3
All	78.5
1980:	
Public	74.3
Private	81.0
All	76.0
1981:	
Public	70.2
Private	78.9
All	72.3
1982:	
Public	74.6
Private	82.7
All	76.7
1983:	
Public	74.0
Private	82.8
All	76.3
1984:	
Public	73.1
Private	83.2
All	76.0

[1] The percent of parental contribution will be slightly understated due to truncation occurring at the time of data collection.

Source: Cooperative Institutional Research Program files (First-time/full-time dependent students) 1978, 1979, 1980, 1981, 1982, 1983, and 1984.

PARENTAL CONTRIBUTION FORMULA

Dr. ELMENDORF. Part of the parental contribution formula has to take into consideration those who are self-supporting, and we are finding that the independent student declaration is now driving more of the recipient population in Pell than the dependent.

Senator PROXMIRE. Isn't that an evasion of the law to qualify for aid?

Dr. ELMENDORF. There are ways in which students can evade the law by stating that they are independent of their parents by not living at home for more than 6 weeks, which is in the law, and, in fact, living there for more than 6 weeks, by not getting more than $750, and, in fact, getting more than $750. We find, when we go back and ask the parents to show us their 1040, the 1040 shows in too many cases that the parents took them as a deduction on their income tax, and the student, for purposes of application for financial aid, declared himself independent. We are doing some very significant things to correct that, one of which is to change the definition of the independent student.

I know there are many community proposals from the NASFAA, ACE, and others that are headed in the right direction, but we still think that they fall short of making a clear determination as to those who are legitimately eligible and should receive independent student status, which as a matter of fact allows you to get more aid.

Senator Proxmire. That is a good reason to go from $25,000 to $60,000, one way or another, or to go higher anyway than $25,000, but it is still confusing because it depends on the area that you are talking about. Obviously, if you limit it greatly, then you are going to have all the students say that they are independent.

PELL GRANT PROGRAM ERROR

I was surprised to learn that there is a substantial amount of funds awarded erroneously each year under the Pell Grant Program. It amounts to a net loss of $364 million for the current school year. How do you account for that?

Dr. Elmendorf. The figure you cite is a result of the third of three quality control studies in the Department of Education. The idea behind these studies and the idea behind quality control is to provide a management tool. It is a tool that is used by those in an enterprise to determine whether or not the system is working, as opposed to quality assurance which is one of those things you do by sending in outside reviewers.

We have had three major studies in the Pell grants quality control effort, and we have, in fact, reduced what was an earlier error. Overawards decreased by 17 percent in our 1982–83 study. We had absolute error decreasing by 13 percent over the 1980–81 year, and we had net student error decreasing by 9 percent, but that still left, as you properly cite, a 19-percent overaward situation amounting to $465 million, and a 6-percent underaward situation, leaving a net overaward of 13 percent, or $326 million.

What that says is that $650 million either wasn't awarded at all because the student didn't get it and deserved it, or it was overawarded, more was given than should have been.

Senator Proxmire. The net loss, maybe my figures are wrong at $364 million, you have $326 million, anyway it is a very big net loss.

Dr. Elmendorf. It doesn't mean that that is money that is saved. That is money that needs to be redistributed to the rightful recipients, I have to make that clear. There are some savings, however, and we projected in our budget estimate for next year a reduction of 3 percent in the error rate, and that is a 25-percent error rate overall, to about 21 percent, and in subsequent years, we will go to 18 percent and down from there.

We have also identified one of the single-most important villains in that whole quality control study, the subject we just talked about, the dependency status error that is $64 million of net overawards, the largest single factor. Those funds went to students who declared themselves to be independent of their parents when, in fact, they weren't.

We have also changed the system dramatically. We will have verified at institutions of education next year not less than one out of every two of those applicants. Simply stated, that means that over 50 percent of Pell grant recipients will be required to have their parents send a 1040 or their own 1040 to the school, and the data on the 1040 will be checked against the data on the application to help eliminate that error.

Senator Proxmire. Apparently the Department is responsible for 8 percent of the overawards occurring under the program. That is $224 million for the present year. This is not a new program; why can't you get the bugs out of it?

Dr. Elmendorf. One of the major flaws we found is you can correct error, given the current system, down to 13, 14, or 15 percent. You can't go any further than that unless you do some significant restructuring of the system. One of the basic elements that I feel contributes to the error in this program is that we continue to try to define equity by asking for recent and relevant projected information from students that they may submit on an application form in January, and have it change 8 months later when they enroll in college. When we go back and look at the changed information, of course, you are going to find that that brother or sister that they expected to go to college has changed their mind.

Unless we start looking at ways to eliminate the elements we don't need and still preserve some degree of equity, while striving to achieve greater accuracy, we are going to have the same flawed system and create the same kinds of problems 10 years from now.

Senator Proxmire. We have had that for some time. As I said, this is not a new program.

Dr. Elmendorf. We are making a proposal this year to change not only the form, but we are, in fact, going to propose for next year that there be two forms—one for the independent student to fill out, and one for the dependent student—since that is the single-most important and significant source of error going into the application. We want students to declare, before they ever pick up that form and put pencil to paper, that they are either dependent or independent, one or the other. We think that that will help.

We are also going to have aid officers check before they actually make the disbursement to find out if the data that they have on the student is correct, and we are validating over 50 percent of all of the applicants. We expect that we can save $117 million next year through this intensified validation effort.

Senator Proxmire. Even worse are the overawards due to institutional error. For the 1984–85 academic year this totals $308 million at a time when the program is estimated to reach $468 million. What is being done to reduce the institutional error rate?

Dr. Elmendorf. The institutions themselves have done a good job, I think, in reducing the error rate from the previous study. One of the things we did that reduced error considerably was to put the statement of educational purpose on the payment document. Not having this document in the file was found to be a major source of error in earlier studies. So those two documents now come together. If the person has been paid, then they have declared that the money they are getting is going to be used for educational purposes.

The other things that we are doing now is looking at the financial aid transcript. This is a document that attests to prior enrollment at other institutions. When you combine those two elements together with the statement of educational purpose, I think verifying those pieces of information will go a long way in reducing the institutional error rate.

REQUIREMENT FOR HIGH SCHOOL DIPLOMA

Senator PROXMIRE. On page 36 of the justification it states that Pell grants would be limited to high school students, or those with a high school equivalency certificate, as a way of addressing the abuses involving private vocational schools reported by the General Accounting Office. Isn't that unfairly penalizing these students for problems incurred by the schools?

Dr. ELMENDORF. I think that of those who choose to attend the proprietary schools—we have about 1.6 million now attending—about 500,000 of them receive some sort of financial assistance. Those individuals are primarily from low-income and minority backgrounds. They need the developmental skills. They need some form of testing or some form of assurance that they can benefit from the education they receive. The reason we say that is because when you look at the GAO study, and you look at the number of limit, suspend, or terminate actions that we have to take in the Department of Education, 80 percent of all the schools we have to terminate are proprietary institutions. We don't feel that there are tight enough controls by the accrediting associations exercised on proprietary schools, and we don't think that there are tight enough controls on some of the economic barriers like fraudulent practices in recruiting. That clearly is, I think, an institutional responsibility.

I believe that students should have either a GED or some other form to demonstrate that they are ready to accept college level work.

PROPRIETARY SCHOOLS

Senator PROXMIRE. Aside from the change in eligibility criteria, which is outside the scope of this committee, what other actions have you taken to improve the way proprietary schools administer the Pell Grant Program?

Dr. ELMENDORF. The same actions that we require for all institutions are required of the proprietary schools. One of the things that we do in terms of quality assurance is that we visit some 700 schools a year. In proportion to public and private schools, the proprietary sector, which represents less than 20 percent of the total number of schools, we visit 33⅓ percent of those schools. So on-site visits are a major way that we are finding out what problems these schools are having.

We are also working with the accrediting associations. They are expected to exercise academic controls, and we are asking Congress to support a regulation on satisfactory academic progress and expect the accrediting associations to enforce that. We, then, will expect our reviews of the accrediting associations to tighten up the controls on which students receive those funds. If they are not making satisfactory academic progress by the institution's standards, they ought not to get funding. If they are not by the accrediting standards, they ought not to retain eligibility.

Senator PROXMIRE. Before I yield to the two distinguished Senators from North Dakota, let me say that this panel, and Dr. Elmendorf is the key quarterback in each of the panels we have this morning, is dealing with student financial assistance and guaranteed student loans. Do you want to ask questions on those areas?

Senator ANDREWS. My problem, Bill, is that I have to get to the Higher Education Act, and I have a hearing going on that I have in recess while I ask these questions. We have the Coast Guard sitting down the hall.

Senator PROXMIRE. Go ahead on the Higher Education Act right now.

Senator ANDREWS. If I could, I would like to ask those questions right now.

Senator PROXMIRE. I always like to help the Coast Guard out.

Senator ANDREWS. You have more interest in the Coast Guard than I have.

Senator PROXMIRE. I sure do.

TITLE III AID TO DEVELOPING INSTITUTIONS

Senator ANDREWS. Mr. Secretary, with respect to that portion of your budget addressing title III of the Higher Education Act, I note that you use as your basis the Department support "of the Federal commitment to assist disadvantaged populations and to help developing institutions to improve and stabilize their management and fiscal operations so that they may become self-sufficient."

Going with these assumptions, does your proposal take into account public and private institutions serving areas that are by and large depressed due to the situation currently with the farm economy?

Dr. ELMENDORF. Yes, sir; we do. We, in fact, have recognized that some of those schools in rural States where tuition is still low are not able to participate in the Pell Grant Program to a large degree, which is one of the eligibility criteria for getting title III institutional aid. We are proposing to change the definition of eligibility for title III so that more of those students coming from the farm areas can gain eligibility to the program.

Senator ANDREWS. You are proposing, as I understand it, to consolidate parts A and B under title III, and create a nonrenewable 5-year grant after which time a school would only be able to apply for part C funding. While there is little question that title III has grown increasingly complex over the years, this could cause problems for a number of schools across the Nation.

At a title III conference held last February, members of the higher education community were expressing the concern that as the program now stands, even the 4 to 7 years currently allowed is too limited a timeframe in which to achieve self-sufficiency.

Although I would be the first to agree that the institutional aid programs are not there to sustain schools indefinitely, I would be interested in knowing on what you based your decision to limit assistance to 5 years?

Dr. ELMENDORF. Let me first try to give you an overview statement on that. The idea of the Institutional Aid Program is that institutions, at some point in time, graduate from the program. That is, institutions that have made a commitment in the way of a proposed plan to do something over a period of 3 or 5 years should, at the end of that period of time, have achieved some self-sufficiency.

The results are different. The results are that institutions, in fact, don't graduate. They cycle out for a year or two, and they come back with another application. One of the reasons that we propose the idea of the 5-year nonrenewable grant is that we have put a great deal more emphasis on part C of that program which is endowment building. We think that it is perfectly legitimate for schools to anticipate, once they have left and succeeded in making their 5-year plan a reality, to have a period of time, a transition, if you will, where they garner from the Government, in competition with other institutions, up to $500,000 in endowment money which they would have to match within a period of time by another $500,000, allowing them to have a base of support that they can draw on to make the transition without continuing to depend on Federal aid.

Dr. KIMBERLING. Senator, I just have a couple of points to add to that.

One deals with a little bit of history. As you probably know, in the 1980 amendments, the Congress passed two major programs, strengthening and special needs. The bulk of title III funding over the past few years has been in a nonrenewable form. We are essentially proposing to consolidate those two major programs, and structure the nonrenewable grants along the lines of the current Special Needs Program which provides 1- to 5-year nonrenewable grants and out-year matches.

Essentially, we are including many of the elements of the current Special Needs Program in our proposal. We do have a question that comes up perennially with respect to self-sufficiency, and with respect to the large universe of title III eligible institutions that can't even begin to get into the door right now. Many of them, in fact, are from the less populous States and serve more rural communities.

We have every year approximately 1,500 to 1,600 institutions that can qualify for eligibility for title III. We have approximately 900 to 1,000 institutions that apply for and receive eligibility, and we fund about 500 institutions. Many of those schools that have filed for and received eligibility year after year after year are now saying: I would just like to get a little bit of early seed money, and let some of those that have had, in some cases, 10 or 15 years of title III funding consolidate their gains and work them into ongoing operating budgets.

In the meantime, some of those other schools are saying, I don't want to have to sit out all of those years without any access to developmental funding. That is the dilemma that we are facing, and it is part of the reason for our proposal.

ENDOWMENT GRANT PROGRAM

Senator Andrews. Of course, as you point out, under part C, the school and the Department each put up one-half of the grant amount. If a small, private college, serving predominantly rural populations, comes out of the newly consolidated program and does, in fact, find that the 4- to 7-year period was not long enough, if there is nothing else available except part C, won't there be a problem?

Dr. Elmendorf. That would assume that this is the only source of aid they had to implement that 4- to 7-year plan. Since I wrote a title III grant, and received one, I do know that at the end of my grant award period, I either had to fish or cut bait. You either find out that you are going to get another source of aid to help you or you, in fact, get out of the program.

My sense is that given what you can do with these funds, and there are some restrictions, one can in a period of 5 years bring themselves to the point where they have planned for the sixth, seventh, and eighth year.

Part of the funds that come to these institutions is for planning. It is for developing the kind of financial plan, curriculum plan, development plan, that allows them to think about the out-years.

Senator Andrews. The problem is, of course, the ability to get endowments in the rural area right now is not as good as they might have been able to plan for 3 or 4 years ago when they began the program.

REQUEST FOR EXTENDED AVAILABILITY OF PART C FUNDS

The problem being the endowments under part C; wouldn't a school have to come up with matching funds right away, and wouldn't only 50 percent of the earnings be made available each year?

Dr. Elmendorf. We are glad that you asked that question.

Dr. Kimberling. We have proposed that the endowment grant appropriation be made available until expended. In setting up the regulations and administering this program now for the second year, we did some extensive consultation with fundraising specialists, the Council for the Advancement and Support of Education, expert fundraisers at colleges and universities, and they have all told us: You can't really conduct a fundraising campaign from planning, startup, raising the money, and finally depositing it in your bank, unless you have about 18 months to do it.

With an annual appropriation of funds, the problem is that when we make the endowment awards this year, unless we have that carryover authority, as we have proposed, the schools will only have about 7 weeks to raise the matching money. We don't think that they will be able to do it, and we are genuinely concerned about that.

In answer to your basic question, what we have essentially proposed is that we hold the competition, reserve the endowment grant in the name of the school, and notify them that the Federal Government has matching funds. That is a very, very interesting carrot to go out and raise the money with, if you have one-half already raised.

Senator ANDREWS. In other words, you identify it beforehand, so they can go out and say this is it.

Dr. KIMBERLING. Precisely. They will have the letter of conditional commitment from the Federal Government. But without that carryover authority built into this program, they will not have enough lead time to raise the money.

IMPACT OF PROPOSED CHANGES TO PELL GRANT PROGRAM

Senator ANDREWS. Has the Department run an analysis as to what impact your proposed changes to the Pell Grant Program will have on title III in terms of the numbers of awards and the amount of each award?

Dr. KIMBERLING. No, sir; we haven't. We do operate on a lag time of about 2 to 3 years because of the compilation of both student aid statistics and higher education general information survey statistics. Any changes in the Pell Grant Program wouldn't have an impact on title III for 2 to 3 years, and we have not done a prospective analysis.

Senator ANDREWS. The problem with the changes that you are proposing for the Pell Grant Program are intended to ensure that only the neediest students receive awards, as I understand it; that is essentially correct?

Dr. KIMBERLING. True.

Senator ANDREWS. Now, the problem we have is twofold. First, because assets are used in determining Pell grant eligibility, students from farm families have a hard time obtaining this type of assistance. They are asset rich and income poor. They probably have a lower income than the families that can get it because of the assets that are sitting there in the farm acres, they have a hard time getting Pell grants or any other form of Federal financial aid, thus additional restrictions are likely to make only that much more difficult on these students.

With fewer Pell grants awards to farm students, what kind of an effect will this have on the small private colleges, again, particularly those of us in the Midwest?

Dr. KIMBERLING. I could only guess, but my guess is that our proposal to count the number of awards rather than the amount of awards will more than balance the situation.

I will cite you a very specific example, without naming the school, but you probably have some schools like that in North Dakota. A State institution which happens to be in Texas has approximately two-thirds of its students coming from Hispanic families. Its tuition is very, very low because the State subsidizes the education. It is about $300 or $400 a year. A very high percentage of those students are currently receiving Pell grants. They would receive Pell grants as low-income individuals under our Pell grants proposals, but the institution perennially has had problems qualifying for title III eligibility because of its low tuition and its distribution of Pell grants awards.

The current requirement that we calculate the high average amount of awards would make an institution qualified that has higher tuition and middle-income students, and it knocks out this kind of a school that enrolls low-income students with low tuition. So our proposal to count the high average number, rather than amount, of program awards would probably improve the situation even with our prospective Pell grants changes for this type of institution, and I suspect that it will.

Senator ANDREWS. It probably would. In reference to what your answer was on an earlier question, that you are studying the impact in rural areas, this would carry through in what we have just discussed.

Mr. Chairman, I don't want to impose on the time of the subcommittee any longer at this point in time, but I have a number of other similar questions that I would like to have answered at this point for the record.

I appreciate your candor and your assistance, Mr. Secretary.

Dr. ELMENDORF. If you would like an answer to the farm asset question, I can give you a quick one.

I think that the Pell Grant Program treats farm assets quite well. They have a $100,000 exemption for home and farm right off the top. If you are applying for the Guaranteed Student Loans Program, you don't even have assets considered in that application.

Senator ANDREWS. Regarding the Pell Grant Program, $100,000 may seem like an awful lot of assets, but a farm that will generate maybe an income of $5,000 a year, if they go in and look at assets, they probably have 400,000 to 500,000 dollars' worth of assets, and that is the problem, and that is the below-average size farm, and it is not convertible into cash.

Dr. ELMENDORF. In the campus-based formula, the uniform methodology, they call it, the major determinant of the family contribution, what the families can contribute, is based on both assets and liabilities. They deal with an equity factor, and the equity factor is rated at a lower level of contribution for farm and business assets so that, in fact, the contribution is less, and it is taken into consideration.

I think you deserve an answer to that question. I know you asked it at another time.

Senator ANDREWS. The problem is Department of Commerce statistics, as my colleagues know so well, they get a 2-percent average return on assets in agriculture and a 14.7-percent average return on assets in other parts of the country. That is where the assets test really rebounds to the disadvantage of farm families; it ought to be on income producing. Hopefully, some of these questions can be answered.

Dr. ELMENDORF. That is why we weigh them differently. We take that data and we don't weigh farm assets the same as business assets. If one of your questions were to be: How do you treat farm assets, I think we could answer that for you.

Senator ANDREWS. Consider that it is, and let you expand on that for the record, Mr. Secretary.

Dr. ELMENDORF. We will be pleased to do that.

[The information follows:]

TREATMENT OF FARM ASSETS

The need analysis systems which determine eligibility for federally supported need-based aid consider income the most important indicator of a family's financial strength. Although assets are considered, generous offsets are applied and lower assessment rates are imposed. For example, in determining the eligibility of a student for a Pell grant, the family's adjusted gross income is reduced by a family size offset (the amount estimated as the basic living costs for a family of that size) and the remaining discretionary income is assessed at varying rates (11 percent on the first $5,000 and 13 percent, 18 percent, and 25 percent on subsequent increments of $5,000). The result of applying these rates to the discretionary income provides that part of the expected family contribution derived from family income.

The net assets of the family are also weighed and various offsets are applied ($25,000 for the family's home; $25,000 against other assets; and $80,000 against farm assets). Total offsets may not exceed $100,000. After subtracting the offsets from the total net worth of the assets, a flat 5-percent assessment rate is applied—less than one-half of the rate applied against income. The result of this calculation provides that portion of the expected family contribution derived from assets.

In addition, the Department provides an alternative need analysis system which does not consider assets for students who apply for a guaranteed student loan [GSL] only. The lookup table which estimates expected family contributions at different income levels does not consider assets in the need analysis determination. In that way, students with considerable farm assets but low-family incomes could still qualify for a GSL to attend a postsecondary institution.

PROPOSED INCOME LIMIT FOR GUARANTEED STUDENT LOANS

Senator ANDREWS. Thank you very much, Mr. Chairman.

Senator PROXMIRE. Thank you, Senator Andrews.

The senior Senator from North Dakota, Mr. Burdick.

Senator BURDICK. Thank you, Mr. Chairman.

I am going to touch upon some of the matters that you have already touched upon. I am concerned about the changes you are making in the Guaranteed Student Loans Program. I understand the White House compromise plan set the income limit for families at $60,000. What does that mean, $60,000; does that mean net?

Dr. ELMENDORF. It means the adjusted gross income that is on the front page of the old 1040 form.

Senator BURDICK. No adjustments can be considered?

Dr. ELMENDORF. Not at that level.

Senator BURDICK. If the 1040 shows I have $60,000 or less, I am eligible.

Dr. ELMENDORF. Yes; less than $60,000, you are eligible for the highly subsidized guaranteed student loans where the Government pays the interest for you while you are in school, plus the special allowance while you are out. You are eligible, over $60,000, to borrow in the PLUS Program, or to borrow in other areas that are guaranteed by the Government. We still guarantee these other loans. The $4,000 PLUS loan is guaranteed by the Government, and if you felt that you didn't have adequate credit to borrow at your local bank, the law says that we can walk in and provide you access to that PLUS loan by a lender of last resort provision, which in this case is the Sallie Mae Corporation.

Senator BURDICK. The adjusted gross income is just what it says, $60,000 per year.

Dr. ELMENDORF. Yes, sir.

Senator BURDICK. If you have less than that, is there any graduation to $50,000 or $40,000 or $30,000?

Dr. ELMENDORF. For the moment, Senator, the Budget Committee and the administration are looking at an adjusted gross income level of $60,000 without any other factors considered.

Senator BURDICK. I think you touched pretty much on the Pell grants in your testimony. How, if at all, do farm assets come into play for consideration?

Dr. ELMENDORF. In the Guaranteed Student Loans Program, fewer under $60,000 qualify. If you are under $60,000 and qualified, there would be no consideration of farm assets if you were filling out what is called the short form. There are two ways that you can get a guaranteed student loan if you are not getting any other source of aid. The short form is used and there are no assets considered. If you are borrowing other forms of aid, like work/study or a direct loan, then you have to use the uniform methodology. That treatment would call into question assets, but it would also deduct from the assets the liabilities or debts owed by that farmer so that the equity is then converted to a figure which could become a parental contribution, but it is at a much lower level than would be the case if you were to directly assess the assets.

Senator BURDICK. In other words, if my 1040 shows an amount less than $60,000, regardless of assets, I am eligible for a loan.

Dr. ELMENDORF. If you are only applying for a guaranteed student loan.

Senator BURDICK. Thank you very much.

Senator PROXMIRE. Thank you, Senator Burdick.

HIGHER EDUCATION ACCOUNT

We are now discussing higher and continuing education, you are putting on that hat. I presume that this is the panel, is that right?

Dr. ELMENDORF. I would like to introduce Dr. Ron Kimberling who is the Deputy Assistant Secretary for higher education programs. He will be the witness for the higher education part of the budget.

INTERNATIONAL EDUCATION PROGRAMS

Senator PROXMIRE. You are again proposing to terminate funding for international education programs, including university-based resource centers, fellowships, language programs, business and international education projects, the overseas Fulbright-Hays, that is, Research and Training Program, and so forth.

You indicate in your justification, and I quote, "that few benefits of these programs actually accrue to the Federal Government."

Let me ask you, doesn't the Federal Government have a special interest and responsibility for international relations and can the States be called upon to support international studies to the extent that it is needed in the area of business, diplomacy, and so forth?

Dr. ELMENDORF. The answer, I think, is, yes, we have an interest in it, but we don't know whether that is the appropriate Federal role for 52 institutions that are now what we call resource centers. They have been receiving funds to do precisely that for over 25 years. Our contribution to that whole budget at the institutions is less than 10 percent. My sense is that these institutions have made a commitment and are continuing to set themselves up as resource centers for various area studies, and would continue to fund and perform those operations even without Federal funding.

Senator PROXMIRE. As you are aware, I have been making this argument for a long time, the Federal Government does not have the fundamental primary responsibility for elementary, secondary, or even higher education in this country generally because of the Constitution, and because this has been traditionally a State and local responsibility. It has been a heavy burden, but it is a State and local responsibility. But it seems to me that this is a different kind of an area.

Are you aware of the Defense Department's support for the International Education Program?

Dr. ELMENDORF. I have heard that they are in support of these programs, as is the Department of State. The Office of Management and Budget is aware of their support as well. When they reviewed the requests from each of the agencies for funding, they made some priority decisions. In our case, the lion's share of the funding for exchanges and for foreign language fellows, Fulbrights, and others, was given to the USIA. They had about a 22-percent increase in their budget.

It appears that the Government has made some priority decisions about the fact that, yes, it should be done, but it ought not to be done specifically through these programs. They have also, through the Congress last year, appropriated $90 million for grants to the States, and have concluded that that $90 million shall be divided so that $27 million of it goes to higher education and is used specifically for math, science teacher education, and foreign languages.

In a sense, the States are now instructed by Congress to provide for foreign language instruction as part of the block granting of that $90 million that they allocated last year.

Senator PROXMIRE. In the letter from the Secretary of Defense, Secretary Weinberger's letter to former Secretary Bell, he said the following:

> Working with us on this project is a group of distinguished leaders in this area drawn equally from the defense and academic communities. It was the consensus of this group that the elimination of funds for international education and foreign language studies will seriously impair the Nation's ability to maintain even a modest program in this area.

The concluding sentence is:

> I would urge you to consider restoring, and possibly increasing, the funds for international education and foreign language studies.

Dr. ELMENDORF. What is the date of that letter?

Senator PROXMIRE. The date of the letter is March 11, 1983, 2 years ago.

I suggest that if we transferred this program to the Defense Department, it would probably get a substantial increase. [General laughter.]

Dr. ELMENDORF. But it would be a small percent in comparison to the total amount allocated in the total defense budget.

Senator PROXMIRE. It sure would. But this is Cap Weinberger speaking, formerly head of the Office of Management and Budget, where he was known as Cap the Knife, and now he is Cap the Sword. It looks as if, either way, he is in a position to speak with considerable force on this.

Dr. KIMBERLING. He is certainly a man of many caps, Senator. [General laughter.]

Senator PROXMIRE. I like that.

Dr. KIMBERLING. We do have an overview of what the situation is from our perspective. I think Dr. Elmendorf pointed out that in the Fulbright appropriation this year, for the U.S. Information Agency, the administration has requested a 22-percent increase. That increase alone is four times the amount of money that we have historically been given for our overseas programs.

We feel, essentially, that our role in this area can be absorbed by the USIA with that kind of an increase. So I think that evidences some support.

We are concerned very much about foreign language teaching and learning in this country. Our feeling is that we are not going to have university graduates with bachelors, masters, or Ph.D.'s unless you start at the lower grades. So with the current budget deficit situation, our feeling is that many of the resource centers are mature, they have received 25 years of Federal support, and what we ought to be focusing on now is stimulating better teacher preparation in the lower grades, and the provision of language teaching and learning in elementary and secondary education. Hence our budget request for the Education for Economic Security Act, and for a number of other activities that would help assist students in the lower grade levels to get interested in language learning.

We think that that stimulation of the demand at the lower grade levels will, in turn, cause a number of universities, as these students mature, to continue their support for foreign language teaching at the university level because there will be more demand for it, more interest on the part of younger children.

We think the Federal priorities have to shift at this stage from graduate level education, which is mature, to elementary and secondary interests in foreign language.

Senator PROXMIRE. I sure hope this theory works. It didn't work for me. I had 9 years of French before I got to college, and I couldn't wait to get rid of it. I never did learn. I did learn how to understand people speaking French, but they couldn't understand me.

SPECIAL PROGRAMS FOR THE DISADVANTAGED [TRIO]

As I am sure you know, the special programs for the disadvantaged are very labor intensive. Do you have any idea how many jobs will be lost under your proposal?

Dr. Elmendorf. We would hope that there wouldn't be any in the Special Services Program. What we are proposing is that institutions, some of whom have been receiving funds for over 10 years, would begin to say that the purpose for which they applied for funds is now a major part of the goals and objectives of that institution, and should become a part of what they are willing to fund themselves.

We are not proposing to eliminate it, but we are proposing that the institution provide over 50 percent of the funding if they continue to believe in that program.

Senator Proxmire. There will be less funding, won't there?

Dr. Elmendorf. There will be less funding in the sense that the Government would contribute only about $82 million, but overall it would be the same amount of funding because the expectation would be for a cost-sharing requirement from the institution.

Senator Proxmire. I hope you get that matching requirement.

What happens to a TRIO student after he or she completes the program? For example, what percentage go on to finish college?

Dr. Kimberling. Senator, it depends upon which program they have gone through. As you know, there is the Talent Search Program, the objective of which is simply to stimulate interest in college and assist in filling out forms. We really don't have any longitudinal data on that.

We do have a couple of studies that deal with the Upward Bound Program, serving high school students and bridging them into college, and following up on them. The most recent study that we did compared data from the high school and beyond study that our National Center for Education Statistics has conducted on the high school graduating class of 1980.

We paired students from that graduation year that were taking Upward Bound, or had been served by Upward Bound projects, and students who would otherwise have qualified for Upward Bound, but were not being served by those projects. We tracked them through a few years of their college experience.

In general, up to about 21 months after high school graduation, the students served by Upward Bound do a little bit better. They are taking more college credits. They are enrolling in college in slightly higher percentages. They are persisting in college to a slightly greater extent.

After that 21-month period, the dropout rate in college seems to be about 40 percent as I recall, and that is on par with the average or regular student population. So Upward Bound seems to be kind of front loaded in its effect, and it certainly seems to have a persistence in at least taking a disadvantaged student and putting him on par with a nondisadvantaged student.

Senator Proxmire. The statistics, as you relate them, and I interpret them, suggest that this does help students finish college. Even if it is front loaded, more stay in for the first 21 months, and even though the same percentage after that drop out, the total overall effect would be positive.

Dr. Kimberling. Yes; we have found that there definitely is an effective delivery of services in both Upward Bound and special services, and that is why those are the two components of TRIO we have requested funds for.

Senator Proxmire. Your statement indicates that Federal aid would support only startup costs for the special services. Can you tell us what the average startup costs would be?

Dr. Kimberling. The average grant in special services per year, I believe, is about $120,000. What we mean by startup costs is that we would structure the Special Services Program in a fashion somewhat similar to the Cooperative Education Program. The Federal share would represent 100 percent of the grant for the first of 5 years, and it would decrease so that by the fifth year it was only 25 percent.

What we would like to see is that every college and university get into the business of providing these kinds of services. Indeed, we note that a large number of institutions have almost exactly parallel services that they are offering at their own expense. So we would like to, over a period of 5 years, starting with 100 percent Federal subsidy, going down to 25 percent, award grants that get the institutions interested in a planned and graduated manner, and taking it over as part of their operational responsibility.

We think that that will, in turn, free up funds over the years, and we can see more special services projects at more colleges and universities.

Senator Proxmire. Is there a waiting list for these programs?

Dr. Kimberling. There are always a number of applicants who can't get funding. The way the current program works, priority points are assigned to grantees who have received funds in the past and who are even minimally successful. So any competition that we have, we do not have a large number of new institutions applying because they know that those priority points are assigned according to the statute. About 90 percent of previously funded grantees will typically win the money, and if you have never received funding, and do not get those priority points, your chances are about 40 percent.

So only about 10 percent of the moneys available every year go to a new crop of schools, and, yes, there are a number of institutions that are waiting for their chance to get in.

Senator Proxmire. In last year's budget, you requested $11.7 million for activities under the fund for the improvement of postsecondary education. In this year's budget, you would eliminate the program. The funds support locally developed projects which address problems in higher education and suggest appropriate improvements.

Is it true that 88 percent of these projects continue on their own after Federal assistance ends?

Dr. Elmendorf. That is correct, Senator, and I think that that is probably one of the highest continuation rates of any agency and any program across Government.

One of the successes, I think, that we have is that we get 2,700 applications and make about 100 awards on an annual basis. The idea is that after a period of time, the concept will be adopted and will be funded privately. We are finding that about 30 to 40 percent of those who make these innovative proposals are prepared to fund the first year at that level, 30 to 40 percent.

We think that they can be continued without Federal support, and we think that the recent emphasis on the quality in higher education by Secretary Bennett, by the "Involvement in Learning" report, have allowed for much of that experimentation and innovation to occur as part of a major movement in the area of reform and excellence in education on behalf of all institutions, not just those who happen to succeed and compete successfully.

We need reform in 3,400 institutions as much as we need reform in the best competition for 100 institutions. There are too many things out there that aren't going the way they should in terms of reports by AAC and others who understand that the higher education community itself is being critical of the fact that curriculum is in disarray and needs to develop reforms that promote excellence, and needs to focus on outcome measures. We think that that can be done in a massive national movement more so than in a specific movement or program.

Senator PROXMIRE. There are other questions related to this for the record that I would appreciate for you to answer.

Dr. Elmendorf, there is one sentence standing by itself on page 201 of the Higher Education Facilities Loans Program—I am moving into a new area, higher education facilities, loans and insurance. There is one sentence standing by itself on page 201 of the Higher Education Facilities Loans Program that is sort of like the cheese that stands alone. That is a good Wisconsin reference because we produce 39 percent of all the cheese produced in the United States. This reads: "Credit management improvement efforts will be continued and enhanced."

What does that mean? Are any of those loans in default?

Dr. ELMENDORF. Yes, sir; there are loans in default.

Senator PROXMIRE. How many, and what is the amount?

Dr. ELMENDORF. Dr. Kimberling just happens to have as the first page in his book a question that might have been anticipated in that area.

Dr. KIMBERLING. Of the academic facilities loans that you reference, Senator, we have 42 that are currently in default. Many of these are under so-called work-out agreements where the institutions are making at least partial payments toward the defaults.

The overall default rate in the Academic Facilities Program is about 7.4 percent, which represents $27.9 million of the $375.1 million portfolio.

We have, as part of our credit management efforts this year, requested that the Congress give us authority to implement a loan prepayment discounting program similar to the one we operate under the College Housing Loans Program. There is currently authority for a fixed-rate percentage discount under the Academic Facilities Loans Program. I believe that it is a 25-percent discount. We have had about 17 applicants in past years take advantage of this manner of prepayment discounting.

We are now requesting authority for a variable-rate prepayment discount to be based on a Treasury Department present value formula that we have used with a great deal of success under college housing. We feel that this will help us clean up a portion not only of the defaults, but of other problem collections under this portfolio, as well.

Senator PROXMIRE. What is your collection target for next year on this program?

Dr. KIMBERLING. For the Academic Facilities Program, our collection target for fiscal year 1986 is $24.2 million.

Senator PROXMIRE. Dr. Elmendorf, I am delighted to learn of your statement that the discounting authority is working so well. Why aren't you seeking a statutory change in college housing loans?

Dr. ELMENDORF. For college housing loans, we are seeking a change. We are proposing to extend the prepayment discounting program. It has worked successfully. It has garnered for us some $282.2 million overall in prepayment collections through 1984 and the current year. We had a surprising number of institutions come to us and ask to buy back their notes, their mortgages, which by the way are 30-year, 3 percent, mortgages.

Senator PROXMIRE. So you are proposing a statutory change?

Dr. ELMENDORF. We are.

Senator PROXMIRE. Are you going to come before the Banking Committee and ask for it?

Dr. ELMENDORF. I don't know where it will be introduced, but if we can get support from the Banking Committee and that is the appropriate place, that is where we will seek introduction.

Senator PROXMIRE. That is my committee; I am the ranking member on that committee.

Dr. ELMENDORF. We will make sure that it is brought directly to you.

Senator PROXMIRE. Now it is time for my yearly inquiry about your collection goals under this program. Last year you were able to collect a total of $185 million in both current and delinquent building loans. You have estimated $189.7 million for the present year. Do you think you will reach your collection goal before the fiscal year runs out?

Dr. ELMENDORF. We think that we will succeed and probably surpass those goals in the College Housing Loans Program. We have defaults of about 3.95 percent of the $2.68 billion remaining in the portfolio, or $105 million in default. We expect from 1984 through 1986 to reduce that to only $86.2 million in default of a $2.3 billion portfolio, for about a 3.75-percent default rate.

Our loan collections in 1984 were $360.9 million, in 1985, they are estimated to be $264.3 million, and in 1986, $147.6 million. One of the reasons for that is as the loan issues begin to dwindle by prepayment, we are writing down those loans under the net present value concept.

What that in a sense allows us to do is to capture additional collections right now to use to diminish interest payments to the Treasury and to reduce the Federal debt, and to use the additional resources as a means of amortizing the GNMA participation certificates that come due in 1987 and 1988.

We have about $451.4 million due in 1987 and 1988, and we expect to pay those off in time, but we would like to pay them off early.

Senator PROXMIRE. Your collection target for fiscal year 1986 is what again?

Dr. ELMENDORF. For loan collections on the College Housing Loans Program, we are expecting $147.6 million.

Dr. KIMBERLING. We are working off figures which for 1984 and 1985, Senator, include collections from the discounted prepayments.

Senator PROXMIRE. I am asking about fiscal year 1986.

Dr. KIMBERLING. In fiscal year 1986, in the College Housing Loans Program, we are looking at $147.6 million, and if we do get the extended prepayment discount authority, we will likely exceed that goal by a healthy amount.

We do have, as I think Dr. Elmendorf explained, a slight declining curve on regular collections because, as we have cashed in loans through the discounting provisions, the portfolio has a lower remaining volume of scheduled repayments.

Senator PROXMIRE. Dr. Elmendorf and colleagues, I want to thank you for a remarkable morning. I haven't been here all morning, but I have been tremendously impressed by the depth of knowledge you have, and the precision that you have about these matters. It is very, very surprising and unusual to have this kind of highly competent testimony.

I think we have fine civil servants in this country, and in this administration, but I think you are certainly one of the best.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

We will have other questions to be answered for the record.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

SENATE REPUBLICAN BUDGET COMPROMISE

Question: Last week Secretary Bennett told the Subcommittee that the so-called Congressional Budget Plan substantially revised the Administration's original student aid proposals. The Secretary did not know the details of the compromise.

We are to vote on a budget resolution within the next week which assumes more than $600 million in savings for this compromise yet I have seen no explanation of what the compromise contains.

Will you please explain this compromise and how it differs from the President's original proposal?

Answer: The following chart describes the provisions contained in the compromise as compared to the Administration's budget proposals:

Program/Provision	Compromise Proposals	Administration's Budget Proposals
General Student Aid		
Aid/Cost Cap	$8,000 Cost Cap	$4,000 aid cap
Independent Student	Additional year of proof of non-dependency	Age criteria added
Guaranteed Student Loans		
Special Allowance	Decrease by 0.3%	On regular loans, pay flat 1.5% in-school and 3.0% in-repayment; no special allowance on PLUS loans
Income Cap	$60,000	$32,500
Reinsurance	90%/80%/70% depending on default levels	90%/70%/50% depending on default and collections levels
Multiple Disbursement	Required with payments to lenders based only on actual amounts disbursed	Required with payments to lenders based only on actual amounts disbursed

The Administration's original budget also included the following proposals which were not addressed in the compromise:

General Student Aid

- o Require a high school diploma or its equivalent.
- o Require a minimum $800 in self-help.
- o Establish an income cap for eligibility set at $25,000 ($32,500 for GSL).

Pell Grants

- o Discretionary income assessed in $5,000 increments at 18%/20%/25%/30%.
- o Dependent student not included in determination of family size.
- o Expected family contribution included in all award rules.
- o Allowable living allowance standardized at up to $3,000 for students not living at home and $1,500 for students living at home.

Guaranteed Student Loans

- o Regular borrower interest rate set at average of the 91-day Treasury bill rate for the quarter ending March 31st prior to the academic year for which the loan is made.
- o PLUS interest rate determined by borrower negotiation with the lender subject to a cap of the 91-day Treasury bill rate plus three percent.
- o Eliminate payment of administrative cost allowances and advances. Require return of advances by October 1, 1986.
- o Extend the need analysis requirement to families with incomes below $30,000.
- o Expand PLUS eligibility to include all students and their spouses and the parents of dependent undergraduates.
- o Increase PLUS loan limit to $4,000.
- o Require a one percent guarantee fee on PLUS loans.

Question: How will the $600 million in "savings" be achieved if the "compromise" is adopted? Please provide us as soon as possible with documentation supporting how these savings are to be achieved and in particular, what studies and/or proofs you have that these "savings" can be achieved.

Answer: The following chart details the savings estimated from implementation of the compromise proposals:

Proposed Budget Compromise
Savings from Current Services [1]
($ in millions)

	Current Services		Effect of [2] Proposal		1986 Revised Estimate	
	Cost	Recipients	Cost	Recipients	Cost	Recipients
Pell Grants	$3,478	2,935,000	-$309	-229,000	$3,169	2,706,000
Supplemental Opportunity Grants	431	753,000	-121	-211,000	310	542,000
Work-Study	620	829,000	-177	-237,000	443	592,000
Direct Loans	227	950,000	-56	-174,000	171	776,000
State Student Incentive Grants	79	316,000	-23	-92,000	56	224,000
Guaranteed Loans	3,330	3,536,000	-155	-126,000	3,110	[3]3,410,000
Total	8,165	9,319,000	-841	1,069,000	7,259	[3]8,250,000

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[1] These savings are OMB estimates based on projections of loan volume, treasury bill rates, inflation, etc.

[2] Pell Grant savings from reduced error rate (-$117 million, -113,000 recipients) and from independent student definition (-$192 million, -116,000 recipients).

Campus-based programs (Supplemental Opportunity Grants, Work-Study and Direct Loans) and State Student Incentive Grants program savings derived from $8,000 cost minus EFC cap. These savings were distributed proportionately over the programs.

Guaranteed Student Loan program savings derived from independent student definition (-$10 million); $8,000 cost minus EFC cap (-$5 million, -63,000 recipients); reduced special allowance (-$25 million); $60,000 income cap (-$5 million, -63,000 recipients); and multiple disbursement (-$110 million).

[3] Includes a carryover of $65 million in GSL savings agreed to for fiscal year 1985: reduced special allowance (-$5 million) and multiple disbursements (-$60 million).

STUDENT ASSISTANCE--GENERAL

Question: With your various proposals and income limitations placed upon student financial aid eligibility, we understand that 808,000 students would lose Pell Grants and one million fewer current borrowers would not be eligible for GSLs. In Connecticut alone it would mean a loss of $70 million in student aid. Further 24,000 of current 61,000 GSL borrowers would lose some or all of their loans.

This all is being proposed at a time when tuitions are increasing at double the rate of inflation.

What do you estimate as the number of students who would not be able to attend institutions of postsecondary education due to the loss in Federal assistance?

Answer: Given the resources available, we do not expect any student to be denied access to postsecondary education due to a reduction in Federal student assistance. Our fiscal year 1986 budget proposals for the Federal student financial assistance programs have been carefully designed to maintain the historic Federal commitment to providing access to postsecondary education for needy students while restoring the proper role of Federal student aid as a supplement to, not a replacement for, other non-Federal sources of assistance. Needy students will be eligible to receive a total of $4,000 through highly-subsidized Education Department grants, loans, and work opportunities per year while also having access to an additional $4,000 from the PLUS loan program. Together, these resources are more than sufficient to provide needy students access to postsecondary education.

Moreover, your figures for the effects of our proposals on Guaranteed Student Loan recipients are overstated. In 1986 we estimate that nationwide about 258,000 fewer students would receive Guaranteed Student Loans than under current law.

Question: How many private and higher cost public institutions might have to go out of business as a result of decreased enrollments?

Answer: We do not expect major shifts in enrollments from private and high cost public institutions to low cost institutions as a result of our student aid policies. Our budget proposals provide up to $8,000 in Federal student aid which would cover estimated costs of tuition, fees, books, supplies, room and board at 99.9 percent of public schools (in-State students) and over 60 percent of private schools. While some students and families may have to spend more on education and less on other things, or may reassess the costs and benefits of attending more expensive schools, our budget includes sufficient funds to ensure access to postsecondary education for any able student.

It is important to remember that the Federal Government's role in financing higher education is a relatively new role. Major legislation enacting programs of student aid took place in the late sixties and early seventies. Many private institutions had been in existence long before passage of Federal legislation to support the financing of higher education through student grants and loans. We expect that the private and higher cost public institutions will continue to operate at approximately the same level as they are today.

Question: How many fewer students would receive GSLs and Pells under the compromise than are receiving such assistance at present?

Answer: Under the compromise recently agreed to by the Administration and the Senate Republican leadership the Department estimates that approximately 2,706,000 students would receive Pell Grants in the 1986-87 award year. This represents a reduction of about 229,000 recipients when compared to estimates under current law. The reduction in awards is due to a stricter independent student definition and improved application data verification requirements.

Estimates for the Guaranteed Student Loan program indicate that, in fiscal year 1986, 3,410,000 loans would be made (both regular and PLUS loans) under the compromise. This represents a decrease of about 126,000 loans compared with estimates under current law. This reduction is due to a stricter independent student definition, a $60,000 income cap for eligibility, and an $8,000 cost of attendance cap.

CHOICE IN HIGHER EDUCATION

Question: The Higher Education Act of 1965 clearly states, "That it is the responsibility of the Federal Government, consistent with the rights, duties and privileges of State and institutions of higher education, to select institutions and programs which meet their needs and abilities."

Many analysts believe that your budget severely limits that element of choice. Even former Secretary Bell recently wrote in the New York Times, that "the proposed legislation to cut student aid would result in the transfer of thousands of students from private to public institutions."

How does your proposal square with the element of choice mandated by the Higher Education Act since many students will be forced to transfer to lower cost public schools who otherwise would choose private institutions?

Answer: It is difficult to predict with certainty the impact of the President's budget proposals on students in terms of shifting from private to public colleges. We do not expect any drop in college enrollments as a result of our student aid policies. Some students and families may have to spend more on education and less on other things if their choice is a high-cost private institution. That would depend on whether non-Federal sources are sufficient to meet the additional cost of attending a private institution. Our budget policy does include sufficient funds to permit students to attend almost any public institution and the majority of private institutions in the United States. The students who would experience reduced Federal student aid packages under the President's proposed policies would be those from middle and higher income families who are attending relatively high-priced schools and low-income students attending very high-priced schools. Many of these institutions have other sources of aid, such as endowments, which may be drawn on to provide aid to students who need additional assistance.

Question: Wouldn't this proposal merely shift higher education expenses from the Federal budget to State budgets which support public institutions with State revenues?

Answer: Because we do not anticipate a significant shift in enrollment patterns, we do not expect a significant shift of higher education expenses from the Federal budget to State budgets. States, private organizations, and institutions themselves already provide financial aid sufficient to complement the Federal aid provided in our fiscal year 1986 budget request. Many of the high-priced private institutions have other sources of aid, such as endowments, which may be drawn on to provide aid to students who need additional assistance.

Question: Did you consult with the States about this increased burden?

Answer: The Department does not anticipate a significant increase in the States' share of financing postsecondary education, because we do not estimate a significant shift in enrollment patterns. Therefore, the States were not consulted about these proposals. Our proposals do affect higher income families and decisions regarding the extent to which State taxpayers should subsidize higher income families and higher cost institutions through tax revenues should be made at the State level.

STUDENT AID—GENERAL

Question: Your budget documents maintain that instead of supplementing parent, student, State and private efforts, the present combination of Federal programs tends to displace and discourage these traditional sources of support. Yet the purchasing power of Pells, for example, has eroded in the past several years. For example, Pells in 1979 covered approximately 46 percent of college costs, yet in 1985 they cover only 32.5 percent.

On what do you base your contention that Federal financial assistance is discouraging non-Federal sources of support?

Answer: Over the past decade (from academic year 1975-76 to 1984-85), the proportion of student financial aid provided by the Higher Education Act programs administered by the Department of Education has increased from 30 percent of total aid awarded to students from all sources to 71 percent of all aid. In 1975-76 Federal student aid totalled $3.2 billion and met 14 percent of aggregate student costs. In 1984-85, Federal student aid is estimated to be $12.6 billion meeting 31 percent of total student costs. Aggregate undergraduate educational costs have increased by 80 percent since 1975-76, with total aid awarded to students increasing by 69 percent and non-Federal aid decreasing by almost 30 percent. Federal aid awarded to students has increased by almost 294 percent, demonstrating an excessive reliance of Federal sources of aid for students. Had non-Federal sources of support increased at the same rate as Federal aid increased, aggregate aid awarded to students could totally meet aggregate student educational costs.

For the record, to determine the relationship between a Pell Grant award and college costs requires aggregating each individual student's circumstances. A Pell award is determined by student need and 50 percent of allowable costs, up to the maximum award. The Department does not have data available to do this type of analysis. However, using our estimates of aggregate undergraduate costs in 1979 and 1984, total Pell Grants covered over eight percent of 1979 costs and seven percent of 1984 costs.

Question: The current family contribution schedule for Pell Grants takes into account such factors as family size in determining awards for a student whose adjusted gross income exceeds $25,000.

What is your rationale for excluding such considerations and maintaining an absolute income limit of $25,000 for eligibility?

Answer: Our budget proposals target available financial resources toward students from low-income families. Current Bureau of Labor Statistics data indicate that the median family income level in this country is approximately $25,000. Consequently, our proposals limited eligibility to the totally/highly subsidized grant, loan, and work programs to students from families with incomes below $25,000. We recognize that some students above the cap may have greater need than some below the cap. However, we feel that some absolute and objective limitations must be placed on Federal aid in order to conserve and focus such aid on those students with the greatest need. Moreover, we believe there is sufficient flexibility in the overall student aid system, including many sources of non-Federal aid, to address the needs of families with higher incomes and exceptional expenses.

Question: Why is this a "fairer" way of distributing Pell Grants than under the current need-based system?

Answer: A need-based analysis will be applied to those students with family incomes of $25,000 or less in order to distribute Pell Grant funds. Students from families with incomes exceeding $25,000 will be determined ineligible for Pell Grants automatically. The current system of need analysis allows for some families, which by most definitions would be considered well-off, to receive highly-subsidized Federal student assistance. We do not think it "fair" that the tax dollars of lower-income families should support the educational expenses of students from families with high incomes who already have the resources to finance postsecondary education costs.

PELL GRANTS

Question: What proportion of current Pell Grant recipients who classify themselves as "independent" would you estimate are "abusing" this classification only to get higher Pell Grant awards?

Answer: We have no evidence to support the claim that students are intentionally declaring themselves independent of their parents in order to qualify for amounts of Federal student aid; however, a recent Department study of the Pell Grant program during the 1982-83 award year found that the largest single source of student error was due to students who claimed to be independent of their parents according to the criteria established for Federal student financial assistance purposes but were verified, through documentation, to be dependent on their parents. Overall, approximately 5.1 percent of the cases used in the sample study were dependent students who applied for Federal aid as independent students. This, of course, resulted in larger awards since parental income and asset information are excluded from consideration in determining Pell Grant eligibility. Translating these percentages into program-wide estimates suggests that more than 139,000 Pell Grant recipients applied with an incorrect dependency status, with 129,000 applying as independent students when they were really dependent according to program regulations. This suggests that some students may be deliberately manipulating the system to their advantage.

The fact that students can continue to be eligible under the current independent student definition indicates that a measure less subject to abuse is needed. Many in the financial aid community also have recommended a tighter definition because of apparent abuses of the system and the lack of effective means to verify the current application data. In fact, many States have stricter independent student definitions, in part because they have witnessed how easily the current Federal definition can be manipulated by families and students to their advantage.

Question: Do you currently have any evidence to support your estimate of Pell Grant abuse by "independent" students?

Answer: The Department's recent quality control study on the Pell Grant program found that the largest single source of student error was due to students who improperly claimed to be independent of their parents when verified information proved they were really dependent on their parents according to Federal regulations. Approximately 5.1 percent of the cases in the sample were dependent students who applied for Federal aid as independent students. This resulted in approximately $64 million in payment consequences for more than 129,000 students during the 1982-83 award year.

Question: How many cases have you referred to the Department of Justice that deal with fraud in the Pell Grant program?

Answer: The Office of Postsecondary Education does not refer cases to the Department of Justice. Allegations of fraud, waste, and abuse in the Pell Grant program initially go through the Department's Office of the Inspector General. If the Department is unable to satisfactorily resolve a case and the U.S. Attorney's Office agrees that legal action is required, a case is referred to the Justice Department for prosecution. Between July 1, 1984 and May 30, 1985, 94 cases were referred for legal action, including 67 cases for indictments, 9 cases for informations, and 18 pre-trial diversions.

In analyzing this number, it should be noted that a number of mechanisms to eliminate error and potential abuse of the Pell Grant program (at the time it occurs and not afterwards) exist internally within the Department. These include strict data consistency checks of the original application data performed by the application processing system; selection of 50 percent of the eligible applicants for data verification through the collection of verifying documentation by the institutions; and selection of eligible applicants by the institutions for verification of data. Payment may not be made to any student until the data consistency edits are performed and discrepancies resolved and until any student selected for verification of data has supplied appropriate documentation to support the information reported on the application for aid.

One should also note that many U.S. Attorney Offices refuse to accept cases for prosecution involving less than $10,000. In 1984-85, the maximum Pell award was $1,900, with an average award of $1,105. Most cases of fraud in the Pell Grant program involve less than $1,000. Even when all of the Federal student assistance programs are involved in a fraud case, rarely does the total dollar value of Federal aid involved exceed $10,000.

Question: Do any of these cases involve the misuse of the "independent" student status?

Answer: The Office of Postsecondary Education's Student Validation Branch is responsible for identifying cases relating to student error, including misreporting of independent student status. These cases do not get referred to the Justice Department but are handled by the Department in cooperation with institutions. Students identified to be improperly claiming independent student status are required to make the necessary corrections on their student aid report and resubmit it to the Department's central processing facility for reprocessing and determining their eligibility for Pell Grant assistance based on parental and student information. Such students are prohibited from receiving any further Pell Grant awards until such discrepanices are resolved. The cases referred to the Department of Justice frequently involve substantial amounts of Federal funds (over $10,000) and abuses of more than one Federal student aid program.

PELL GRANT ABUSES

Question: Currently unemployed and underemployed teenagers and adults who lack a high school diploma (or equivalent certificate) are eligible for Pell Grant awards.

What is the rationale for your proposal to limit Pell Grant and other student aid eligibility only to individuals who have a high school diploma or its equivalent--thus effectively limiting the opportunity for further education or training for many who most need such opportunities?

Answer: The Education Department requires that in order to receive Federal student aid a student must either have a high school diploma or its equivalent (GED certificate) or be beyond the age of compulsory school attendance and deemed by the institution to have "ability-to-benefit" from the training offered (usually demonstrated by admissions test).

Evidence from institutional audits and program reviews suggests that institutions have been admitting students on the basis of "ability-to-benefit" criteria without adhering to proper or adequate admission requirements. Many institutions do not give admissions tests or conduct other measurements of an individual's ability as required by Federal regulations. Even in instances where admission tests are given, evidence suggests that they are sometimes geared to the third or fourth grade level. Often there is no correlation to the educational subject matter the institution is offering and test scores are not adequate or passing scores have never been defined.

A recent General Accounting Office report entitled, "Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements" found that based on a sample of 1,165 proprietary schools, 732 admitted almost 15,000 students who did not meet admission requirements. These students dropped out at a significantly higher rate and tended to have a higher incidence of academic failure than students admitted according to standards set by the Department. Among qualified students, those admitted on the basis of "ability-to-benefit" criteria dropped out at a significantly higher rate than students admitted on the basis of a high school diploma or GED certificate.

Question: If, as your justifications claim, some proprietary schools are abusing the Pell Grant and other student aid programs by not educating students who are receiving such aid, why not commit some resources to identifying such offending schools, and disqualify them from participation in the student aid program?

Answer: The resources necessary to investigate, identify, and assess institutions and their possible abuse of the Pell Grant program would be costly, both in personnel and dollars, and be extremely time-consuming. Even with such a commitment of resources, there would still be no guarantee that the demonstrated program abuse could be reduced to an acceptable level. Yet the problem of institutions improperly admitting students on the basis of "ability-to-benefit" criteria is significant. Based on the sample used in the General Accounting Office report, 732 out of 1,165 (or almost 63 percent) proprietary schools admitted almost 15,000 students who did not meet admission requirements. Federal aid provided to students who dropped out before completing their training was substantial. The 59,600 qualified and unqualified students who dropped out received financial aid totaling $86 million. Of these, 27,900 students attended only one term or less and received Federal financial aid totaling $25 million. The Federal aid to the 10,300 unqualified students who dropped out was $13 million.

These problems require a strong response in order to ensure the integrity of the Federal student aid programs. We believe eliminating the "ability-to-benefit" criteria would be a major tool in reducing these kinds of Pell Grant abuses.

Question: What is the rationale for proposing to punish our least educated teenagers and adults for the student aid abuse and mismanagement of incompetent educational institutions?

Answer: Our proposal is not designed to punish students. We are only requiring that students first finish their secondary education before Federal dollars pay for their postsecondary education. We cannot ignore a recent General Accounting Office report which documents the fact that among qualified students admitted by institutions, those admitted on the basis of "ability-to-benefit" criteria dropped out at a significantly higher rate than students admitted on the basis of a high school diploma or GED certificate--61 percent to 47 percent. This seems to suggest that students admitted under the "ability-to-benefit" criteria are the least successful of all students completing their education and/or training. While part of the problem may be lax admission requirements on the part of some institutions, we have a responsibility to ensure that our program requirements do not aid and abet this type of abuse.

WORK-STUDY

Question: Under your proposals, students must contribute $800 towards the cost of education prior to qualifying for Federal assistance.

Could Work-Study earnings be used to satisfy this "self-help" requirement?

Answer: Yes, Work-Study earnings could be used to satisfy the self-help expectation of $800 for eligibility under any of the Department's grant or loan programs.

Question: Are Work-Study earnings then counted in the overall mega-cap of $4,000 such that a student could only get an additional $3,200 from other Federal sources?

Answer: That is partially true. Earnings under the Work-Study program would be counted in that year's $4,000 "mega-cap" but they and their parents would be eligible to obtain a loan under the less subsidized but federally supported PLUS program which does not fall under the mega-cap ceiling.

Question: Your FY 1986 student aid proposals would increase the College Work-Study program by 43 percent. You estimate that in FY 1985, 788,000 students will receive awards under the Work-Study program, and that this number would increase to 1,130,000 under your FY 1986 budget proposal.

What will cause this increase, especially considering your proposal to cut off program eligibility for students from families with incomes over $25,000 and to impose a $4,000 mega-cap on all aid?

Answer: The Department's budget proposal to request a substantial increase in funding for the Work-Study program (from almost $593 million to $850 million) is based on information provided by institutions in their fiscal operations report which indicates that they could use considerably more Work-Study funds. It also reflects this Administration's support for the principle that students who are the primary beneficiaries of higher education should bear the responsibility for financing a portion of those costs. Work-Study activities can provide an important contribution to this goal.

The proposals to limit Work-Study funding to students from family income levels of $25,000 or less will ensure that more aid is available to the lowest income student and that it is not dissipated by higher income students who have access to other financial resources. Currently over 20 percent of the Work-Study awards go to students whose incomes exceed $25,000.

The cap on the total amount of aid a student can receive from Federal student aid programs at $4,000 per year will have a minimal affect on Work-Study. This ceiling will preserve funds for a wider group of students and eliminate excessive federally-subsidized aid to the estimated seven percent of students who currently receive total Federal aid in excess of $4,000.

Question: What are your estimates of the number of students currently receiving Work-Study aid or desiring this aid who would become ineligible with the restrictions you propose?

Answer: In relation to our income ceiling, data from the 1982-83 award year indicate that approximately 23 percent of all students receiving Work-Study funds are from family income levels of $25,000 or more. If this percentage holds true for 1984-85, approximately 170,000 of the 737,000 students currently receiving awards would become ineligible.

Information on the $4,000 mega-cap is not complete; however, a review of the survey conducted by the Cooperative Institutional Research Program on first-time, full-time freshmen indicate that approximately seven percent of that group receive total aid in excess of $4,000. We assume that no more than this percentage would be affected at all grade levels.

Question: Can enough part-time jobs be found for these students should the increase you anticipate actually occur?

Answer: We feel confident that the increase in Work-Study funding (from approximately $592.5 million to $850 million) proposed in our fiscal year 1986 budget request can be well utilized. Institutions have indicated on their fiscal operations reports that they have need of considerably more Work-Study funds. They indicate that funding on the level of $850 million would be handily utilized by institutions.

NATIONAL DIRECT STUDENT LOAN PROGRAM

Question: For the National Direct Student Loan program, you state in your budget justifications that Federal capital contributions are not necessary because $715 million will be available to students in FY 1986 through institutional revolving loan funds.

How will this proposal affect the access of students to loans in those institutions that have been in the program only a short time or have been less effective in collections, and thus have very limited dollars if any at all in the revolving fund?

Answer: The number of institutions which participate in the Direct Loan program has remained fairly constant over recent years. The majority of new schools entering the program are proprietary schools which have only been eligible to participate since 1972. Since these schools tend to have smaller populations, the elimination of new Federal capital will not affect large numbers of students. Students in schools not served by the Direct Loan program would still have access to the Guaranteed Student Loan program.

Question: What do you foresee as the impact of the $25,000 family income limit as well as the annual $4,000 cap on total Federal student aid on eligibility for National Direct Student Loans?

Answer: The proposed cap on income and $4,000 total aid eligibility should have limited impact on the National Direct Student Loan (NDSL) program. By limiting aid under the Direct Loan program to students whose family incomes are $25,000 or less, more loan funds will be available to students with those incomes in 1986 than is currently available. In 1982-83 approximately 20 percent of the Direct Loans were made to students with incomes in excess of $25,000. Those students would have to apply for aid under the Guaranteed Student Loan program.

The $4,000 cap on total Federal aid will only affect students whose educational costs are above average and whose financial resources are low. The NDSL program has traditionally been used as a component in financial aid "packaging" to assist students with demonstrated financial need. This role is not expected to change under our proposals. Institutions will still be able to lend over $700 million in new loans under the program to eligible students.

Question: Do you believe that these policies will shift the demand for loans to the less expensive public institutions?

Answer: Our policies should not shift the demand for loans to the less expensive institutions. Our proposed budget includes increases in the Pell Grant program to cover 60 percent of cost of education or $2,100 for the lowest income student. Also an increase in funding for Work-Study aid which can be partially used for Supplemental Grants will be available. This increased assistance should cover a major part of the cost at low cost schools and mitigate the need for excessive reliance on loans.

Question: Do such institutions have sufficient reserves from which to make loans? Funds?

Answer: Funds for the National Direct Student Loan program are comprised of Federal and institutional capital contributions, with the Federal share equal to 90 percent. Although the budget proposals call for the elimination of new Federal Capital Contributions, over $700 million will still be available for lending by institutions as a result of repayments made by former borrowers of the program.

STATE STUDENT INCENTIVE GRANTS

Question: If the State Student Incentive Grant program were terminated as you request, are you aware of any States or territories that would cease their student grant program?

Answer: We are not aware of any State which would withdraw State funds for need-based student grants if Federal funds were terminated in the State Student Incentive Grant (SSIG) program. Since most States considerably overmatch their Federal allotment already, we would hope that the 13 or 14 States whose total grant program is composed of SSIG and matching funds would compensate with State funds any reduction in the Federal contribution.

Question: Given your Department's estimate that approximately one million students may cease to be eligible for Federal student aid under the Administration's FY 1986 budget proposals, does this not create considerable new demand on States to provide this assistance?

Answer: While the Department's budget proposals are designed to assist the neediest postsecondary students, State aid can also play a significant role in the endeavor. In particular, State aid can help students have a broader choice of postsecondary institutions. The degree of support will be up to individual States. Recent reports are very encouraging and indicate that most States are spending more on education. The 16th Annual Survey of state postsecondary aid programs by the National Association of State Scholarship and Grant Programs reported the following:

> "The most important finding of this survey is the widespread and significant increase in need-based grant aid to undergraduates from virtually all states' programs. In the aggregate, this grant aid is expected to increase by 15 percent from 1983-84's volume of $1.035 billion. This year's expected growth rate is larger than any single year's rate since the 23.2 percent growth between 1975 and 1976, when many States created new programs in response to availability of State Student Incentive Grant program allocations. The expected growth in dollar volume of $160 million is the largest single year's growth in the 16-year history of these surveys. This year's anticipated $1.195 billion volume is 2.7 times the dollar volume of need-based undergraduate aid of 1974-75, $440.8 million.
>
> Perhaps even more significant than the growth in aggregate dollars is the finding that all but three states are expected to award more dollars in 1984-85 than 1983-84. The average growth rate per state is 17.4 percent, with 15 states reporting expected growth rates in excess of 25 percent, 19 states reporting expected growth rates of between 10 and 20 percent, and eleven states expecting growth rates of at least five percent."

Question: If so, why do you propose terminating the Student Incentive Grant program which, with a relatively small investment of Federal dollars, has stimulated over a billion dollars annually in State student aid?

Answer: As indicated, we have no reason to believe that the growth we have observed in the State programs will abate with the withdrawal of the Federal portion, which as you note, is relatively small. The program was designed to provide an incentive to States and it has clearly accomplished that goal. It was never intended to be a permanent support structure.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

WORK-STUDY

Question: Dr. Elmendorf, as you may recall during last year's hearings, I raised some questions regarding the rather wasteful manner in which some schools were administering the Work-Study program. The General Accounting Office had reported that students enrolled in these programs were not supervised or productively employed and were being paid whether or not they turned up on the job. You concurred with GAO's report and stated that corrective action would be taken in the case of the five institutions audited by GAO. Tell us what's been done in this regard.

Answer: The Office of Student Financial Aid developed a question and answer newsletter numbered (GEN-84-11) and disseminated it to institutions that participate in the Work-Study program in an effort to emphasize the need for institutions to increase their monitoring of student's reported work and scheduled class hours and to improve the adequacy of timekeeping and payroll practices. The five institutions audited by GAO also received this information.

In addition, it is proposed to tighten the requirements for institutions in monitoring Work-Study students. A Notice of Proposed Rulemaking was published in the Federal Register on February 27, 1985 which proposes to require institutions to maintain a student's time record in clock time sequence. The comment period on this proposal closed April 29, 1985 after the publication of the NPRM. Analysis of the comments received is underway. When this internal analysis is completed, final regulations will be published.

Question: How many of the 3,400 participating schools received site visits over the past year?

Answer: The Division of Certification and Program Review (DCPR) does not maintain records concerning the number of site visits conducted at schools participating in a particular program. Instead, DCPR records can identify the number of reviews conducted in a given year and can further identify the type of postsecondary educational institution visited. During the 1984 year, 721 program reviews were conducted. Of the 721 schools reviewed, 295 were proprietary institutions, the majority of which do not participate in the Work-Study program. A normal part of the review would encompass an examination of the Work-Study program for schools that are participating in that program.

Question: Did you come upon any of the program abuses cited in the GAO report?

Answer: The Division of Certification and Program Review routinely checks and finds violations relating to errors in timekeeping or documentation, incorrect or untimely matching of Work-Study wages with institutional funds, inadequate supervision, improper fund transfers, permitting students to work beyond their need and to a lesser degree, conflicts between class and work schedules. When these abuses are found the program review staff and regional offices work with the institutions to make sure Federal regulations are being properly administered.

Question: I believe you also characterized this program as a "complex one" during our discussions last year, and I'm inclined to agree. It does appear to involve several offices at an institution beyond the financial aid office. Since this program is proposed for a 43 percent increase over current level, wouldn't it make sense to raise the percentage of funds allowable under administrative costs? Is this part of your legislative package? If not, why not?

Answer: Institutions statutorily have the option of using up to 5 percent of their Federal allotment for administrative costs depending on their total campus-based program expenditures. In addition, institutions receive $5 per Pell Grant recipient for Administrative costs. We have no legislative proposals to increase these administrative funds.

Question: What types of jobs are supported with these funds?

Answer: Some of the on-campus jobs available for Work-Study students are laboratory assistants, graduate and research aides, administrative office and library aides, and residence assistants for dorms. Off-campus jobs are available with non-profit making organizations. These jobs may be in such fields as health care, education, welfare, social services, public safety, and crime prevention and control.

DIRECT STUDENT LOAN PROGRAM

Question: Dr. Elmendorf, the program default rate under the direct student loan program has only dropped 1.2 percent over the past six years. That's a pretty dismal collection record. I take it these are the "hardcore deadbeats", for which the Department has collection responsibility, right?

Answer: The Department is not entirely satisfied with its collection record in the Direct Loan program. However, continuing default problems are not due to any one set of borrowers or circumstances, however, but reflect many factors. For example, the Direct Loan program provides low cost loans to assist financially needy students attend a postsecondary school. Unlike most consumer loan programs, no credit checks are made or collateral for the loan required. In addition, the agencies responsible for collecting these loans are colleges and universities, which have little long-term experience in collecting debts from ex-students. While the Department is now playing a larger role in the collection of defaulted loans, additional steps must be taken to make major inroads on the default rates.

Question: Why can't you narrow the gap more?

Answer: We are narrowing the gap. We have implemented several major collection initiatives; e.g., implementing the Federal Employee Match Project; referring to credit bureaus defaulted student loan information as mandated by the Debt Collection Act of 1932. We will also be implementing a provision of the Deficit Reduction Tax Act of 1984 whereby individual tax refunds will be reduced by the debt owed.

Additional legislative authority is needed and we have proposed statutory changes to the Congress. Our proposed change would reduce the time a loan is deemed collectible and when it is turned over to the Department from the institution. Another change being proposed would eliminate the requirement that National Direct Student Loan must be in default for two years before an institution may assign it to the Department. The proposed legislation would give the Secretary authority to require an institution with a poor collection record to assign its loans to the Department for collection. These amendments would provide the Secretary with needed flexibility to improve collection efforts.

Question: How much money are we taking about?

Answer: The defaulted amount to be collected for NDSL is $1.044 billion according to the 1982-83 data we have available. This includes the potential loss anticipated from paper not yet turned over to the Department for collection.

Question: How old are these loans?

Answer: We do not have loans categorized by age.

Question: Does the Department have a mechanism for notifying credit bureaus about these defaulters so that their credit ratings are affected? It seems to me that this is an excellent way to recover these funds.

Answer: As provided for under the Debt Collection Act of 1982, signed into law by President Reagan on October 25, 1982, the Department of Education is referring defaulted student loan information to national credit bureaus. This referral process will generate collections from those defaulters seeking new types of credit.

The Department refers new accounts and updates all information through tape exchange on a monthly basis. Through February 1985, 357,466 borrowers have been referred with loan balances totaling more than $585 million.

Question: How much have you had to simply write off as uncollectable for one reason or another over the past five years?

Answer: The Office of Postsecondary Education, under guidelines set forth by the Department's Financial Management Service on November 10, 1983 and revised on August 8, 1984 has written-off accounts under the Direct Loan Program. The following figures represent the total number of accounts written-off in Fiscal Year 1984 and their dollar value.

	Number of Accounts	Dollar Value
NDSL	27,360	$3,409,000

Question: Has the institutional default rate continued to drop over the past year? You reported it was 10 percent during last year's hearings.

Answer: The institutional default rate has continued to drop. It is currently 9.48 percent.

Question: What's that in dollars?

Answer: The defaulted principal in the Direct Loan program is $668,024,782.

Question: What are your collection targets next year under this program?

Answer: The collection targets for NDSL in Fiscal Year 1986 are: $41,300,000 on notes assigned to the Department of Education; $639,144,000 on paper held at the institutional level which would include payments on all matured paper held by the institution.

STUDENT ASSISTANCE--DEBT COLLECTION

Question: Dr. Elmendorf, how much is owed on the loan programs under your authority?

Answer: We estimate that the Guaranteed Student Loan (GSL) outstanding loan volume (i.e., loans in in-school or in-repayment status) as of the end of fiscal year 1985 will total $36,383 million. In addition, the Department's defaulted GSL receivables as of the same date will total $3,365 million. We estimate that the Department's total National Direct Student Loan (NDSL) receivables, including amounts owed to the NDSL revolving funds maintained by the educational institutions, will be $5,139 million as of the end of fiscal year 1985. This NDSL amount includes $1,225 million in delinquent/defaulted loans.

Question: How does this compare with last year?

Answer: The GSL outstanding loan volume as of the end of fiscal year 1984 totalled $31,962 million, while the Department's GSL defaulted receivables totalled $2,899 million. The NDSL Federal receivables totalled $5,029 million as of the end of fiscal year 1984, of which $1,169 million were either delinquent or defaulted.

Question: What are your collection goals for the current year and fiscal 1986?

Answer: Our collections goals for fiscal years 1985 and 1986 are as follows ($ in millions):

	FY 1985	FY 1986
Defaulted Federal Insured Student Loans	$ 74.8	$ 80.6
Guarantee Agency Reimbursements on their Defaulted Loan Collections	137.0	187.0
Guarantee Agency Defaulted Loans Subrogated to the Department	---	4.0
Defaulted National Direct Student Loans Assigned/ Referred to the Department	35.8	41.3
National Direct Student Loan Collections by Educational Institutions	591.8	639.1

Question: How does this compare with last year?

Answer: Our collections in fiscal year 1984 were as follows ($ in millions):

	FY 1984
Defaulted Federal Insured Student Loans	$ 61.6
Guarantee Agency Reimbursements on their Defaulted Loan Collections	97.7
Guarantee Agency Defaulted Loans Subrogated to the Department	---
Defaulted National Direct Student Loans Assigned/ Referred to the Department	25.5
National Direct Student Loan Collections by Educational Institutions	538.0

ADMINISTRATIVE COST ALLOWANCES AND LOAN ADVANCES

Question: I understand the Department is suspending all administrative cost allowances and loan advance payments for the current year under the GSL program and will seek statutory repeal as well. Tell us why these payments are no longer necessary?

Answer: Administrative cost allowances and loan advances are discretionary expenses and, as such, are subject to the availability of funds in the GSL account. Currently, the Department does not have sufficient funds to meet the mandatory costs associated with this program. Therefore, the Department has suspended payment of fiscal year 1985-related administrative cost allowances and loan advances.

The Administration has requested a fiscal year 1985 supplemental of $665 million to cover unmet 1984 costs and all 1985 mandatory costs. No funds are included in this request for fiscal year 1985-related administrative costs allowances or loan advances. Furthermore, the Department did not include funds for these payments in the fiscal year 1986 budget request. The Administration believes that the agency reserve funds are sufficient to meet required reserves for loan guarantees as well as most operating costs. In addition, this policy would provide more equitable cost-sharing between the Federal Government and the guarantee agencies, and would encourage improvements in guarantee agency administrative efficiency.

Question: The General Accounting Office reports that, in total, the 58 Guarantee Agencies were holding $590 million in reserve for contingencies at the end of fiscal 1983 and more than $100 million in Federal advances as of August, 1984. Assuming enactment of your proposed statutory repeal, will guarantee agencies be required to return the advance funds immediately?

Answer: The Administration is proposing that guarantee agencies be required to return all outstanding Federal loan advances by October 1, 1986. We do not believe the repayment of these loan advances, which were never intended to be permanent, will cause any agency to have a problem in paying default claims. Studies by the Department and other groups, including the Wharton Applied Research Center, have shown that most guarantee agencies' reserve funds are far more than adequate to meet anticipated default costs.

Question: Will the return of these funds be used to help reduce the national budget deficit? If not, how will they be used?

Answer: Under the Administration's proposal, all loan advances returned to the Department would be deposited as receipts into the GSL account to offset GSL program costs such as interest subsidies and default claims. Therefore, the return of these loan advances would decrease the appropriation required for the GSL program and, in turn, help to reduce the budget deficit.

Question: What about the $590 million in reserve for contingencies as of the end of fiscal 1983? How large is it now?

Answer: By the end of fiscal year 1984, total reserves held by guarantee agencies had increased to $841.5 million. These reserves included funds provided through insurance premiums charged by guarantee agencies to borrowers, State appropriations, default collections, Federal reinsurance payments, investment income, and gifts and grants, as well as Federal loan advances. The total amount of Federal loan advances outstanding, after payment of all fiscal year 1984-related advances to guarantee agencies, will be about $177 million.

Question: Are these funds used for any purpose other than to satisfy default claims?

Answer: The reserve funds maintained by guarantee agencies include Federal advances made under Sections 422(b) and 422(c) of Part A of the Higher Education Act. They also include funds provided through State appropriations, insurance premiums, gifts and grants, default collections, Federal reinsurance payments, and investment income. In general, the reserve funds can be used to pay insurance claims, refund overpayment of insurance premiums, and repay advances or reinsurance payments. In addition, the portion of these funds generated from insurance premiums and investment earnings of the fund also may be used for program administration. However, the portion of the reserve funds generated from Federal advances made under Section 422(c), as well as the investment earnings on these advances, can only be used to pay insurance claims.

Question: How do you determine the level of reserves each agency should hold?

Answer: The level of reserves held by each agency should only be sufficient to cover reasonable contingent liabilities of the agency. Under current law, the Department may require a guarantee agency to repay part or all of the advances made under Section 422(b) when it is determined that the funds advanced under this section are no longer required for the guarantee agency to maintain an adequate reserve. In determining whether these funds are required, the Department by law is to consider the maturity and solvency of the reserve fund, and the agency's requirements for new loan guarantees, based on its prior experience. For loan advances made under Section 422(c), the guarantee agency is required to repay the advances when the total amount advanced exceeds 20 percent of the agency's outstanding insurance obligation. The guarantee agency is required to repay the excess over 20 percent to the Secretary at the beginning of the next fiscal year.

We believe that the guarantee agencies currently have sufficient reserves both to repay the advances and to cover reasonable contingent liabilities. We do not believe the repayment of these loan advances, which were never intended to be permanent, will cause any agency to have a problem in paying default claims. Studies by the Department and other groups, including the Wharton Applied Research Center, have shown that most guarantee agencies reserve funds are far more than adequate to meet anticipated default costs. Therefore, we have proposed that all advances be repaid by October 1, 1986.

Question: Is there any plan to decrease the contributions to the reserves?

Answer: The Administration has proposed several changes which would affect guarantee agency financing and, thus, the contribution to and size of the reserves. The fiscal year 1986 budget proposes that no new Federal advances be provided and that the outstanding advances be returned to the Department. We have also proposed to decrease the reinsurance payments made to guarantee agencies and to eliminate the payment of administrative cost allowances to the agencies.

PROGRAM REGULATIONS

Question: I understand the Department will be promulgating new regulations regarding guarantee agencies. What's your timetable?

Answer: The Department is in the process of developing a Notice of Proposed Rulemaking (NPRM) for the GSL program. The NPRM will be published this summer for public comment. Once comments are received and any necessary changes are made, the Department will issue a final regulation, hopefully by December 1985.

DEFAULTED LOAN COLLECTIONS

Question: The justifications report that beginning next year guarantee agencies will be required to turn over to the Department all of the defaulted accounts it has been unable to successfully resolve. What's the reason for this?

Answer: Under the GSL program, loans from lenders to students are insured by the individual guarantee agencies and reinsured by the Federal Government against borrower default. When borrowers default and lenders are unable to collect on defaulted loans, the guarantee agencies are responsible for attempting to collect on defaulted accounts. Beginning in 1986, we intend to require agencies to subrogate to us certain defaulted accounts on which their collections efforts have not been successful, because the Department has a number of collection tools which are not available to the agencies. These include litigating defaulted student loan cases in conjunction with the Justice Department, offsetting Federal employee wages, referring account information on defaulted loans to national consumer credit bureaus and, in the near future, offsetting student loan debts against Federal income tax refunds. We expect the offsetting of Federal tax refunds to be a very powerful tool in increasing collections and deterring new defaults.

(It should be noted that at this time we do not anticipate that the Department will require "all" guarantee agency defaulted accounts which have not been successfully resolved to be turned over to the Department. The GSL program regulations which the Department is currently drafting will contain, among other things, guidelines concerning the type(s) of accounts which the agencies must subrogate to the Department.)

Question: The General Accounting Office advises that little is known about how these agencies collect defaulted loans. Apparently, they have considerable leeway on the procedures to be followed and Department criteria is limited. Do you intend to impose stricter standards in this regard? If not, why not?

Answer: We agree that the responsibilities of guarantee agencies in the area of defaulted loan collections are not very specific. We are currently in the process of developing revised GSL program regulations which will strengthen lender and guarantee agency due diligence requirements in making, servicing and collecting loans. The regulations will also establish criteria for the assignment to the Department for further collection efforts of guarantee agency defaulted accounts on which agencies have not been able to collect.

Additionally, the Department proposes to modify the current reinsurance rate formula, while retaining all of the current policy requirements for 100 percent reinsurance. The Department's reinsurance of new guarantee agency insured regular and PLUS loans would be limited to 90 percent of any default claim, with the reinsurance level dropping to 70 percent or 50 percent depending on the ratio of each agency's net defaults to the cumulative amount of loans in repayment at the end of the prior year. This new reinsurance formula would encourage guarantee agencies to prevent defaults and improve collections by imposing greater financial penalties than under current law for inadequate agency default and collection activities, and by ensuring that agencies incur at least a small (ten percent) cost for each defaulted loan.

Questions Submitted by Senator Lawton Chiles

Question: Since both this Committee and the House Labor-HHS-Education Subcommittee have indicated our intent to provide a supplemental to fund new grants at the $2,100, 60 percent rate, what are you doing as far as notifying students of their eligibility?

Answer: On February 28, the Department began processing applications for those students unaffected by the potential change in the maximum award, holding up the notification to students whose awards would be affected by the proposal to reduce the maximum award level from $2,100 to $2,000. These students do, however, receive a letter from the Department explaining why they did not receive official notification of their eligibility for Pell Grant assistance. After hearing from both appropriation committees, the Department began the development of the payment schedule and procedures for eligibility notification of the affected students. However, at the same time the appropriation committees indicated their intent for 1985-86 Pell Grants, staff for these committees began querying the Department about the affect of alternative Pell Grant policies for 1985-86. Because it appeared that Congress was considering several Pell Grant policies with differing effects on student eligibility payment schedules, and appropriation amounts, because of the confusion associated with issuing eligibility reports to the students in the affected group and payment schedules based on a potentially incorrect appropriation amount, and because a decision from Congress seems to be forthcoming, the Department has held up on eligibility notification of this group of students. However, with the notification framework in place, minimal time will be required, once Congress makes the decision on this issue.

Question: What is your timetable for estimating eligibility and grant awards?

Answer: Students began applying for Pell Grant assistance (for the 1985-86 award year) on January 1, 1985 and have until May 1, 1986 to submit their applications to the Federal processing facility. The Department began processing applications on February 28 for those students unaffected by the potential change in the maximum award, holding up the notification to students whose award would be affected by the Administration's proposal to reduce the maximum award level from $2,100 to $2,000. Institutions cannot disburse Federal financial assistance to students until July 1, 1985 (award year is July 1, 1985 through June 30, 1986).

Question: When Congress provides the supplemental, how long will it take to get the notices?

Answer: As soon as Congress acts to resolve the budget issues, the Department will notify all affected students and issue a Pell Grant Payment Schedule to institutions so that they may compute awards. Students should receive their notification within two weeks from the date we notify the contractor to begin processing their applications. Institutions should receive their payment schedules within four weeks from the date of the decision.

Questions Submitted by the Subcommittee

GUARANTEED STUDENT LOANS

INCOME LIMIT

Question: Your budget proposes to place a family income limitation of $32,500 beyond which students would not be eligible for guaranteed student loans. The so-called "budget compromise" would raise the limitation to $60,000.

Under either proposal, would eligibility for GSLs take into account such factors as the number of family members attending college or other economic hardships faced by families even at those income levels?

Answer: Both the original budget proposals and the compromise provide for an absolute limit on income for eligibility, regardless of individual family circumstances.

Question: Are such factors taken into consideration under the current GSL program?

Answer: Under the current GSL program, students from families with adjusted gross incomes of less than $30,000 are considered eligible for a loan regardless of any other family financial circumstances, including the family's accumulated assets. Students from families with incomes above $30,000 may receive a loan if need is demonstrated. The need test to determine eligibility takes into consideration a variety of factors affecting the family's ability to finance postsecondary education, including the family's size and other family members attending postsecondary schools.

GSL DEFAULTS

Question: The FY 1986 budget justifications indicate that beginning in 1986, the Department of Education will require guarantee agencies to turn over to the Department defaulted accounts on which collections have not been successful.

What is the total volume of defaulted reinsured loans that you anticipate will be turned over to the Department in FY 1986?

Answer: The Department is currently drafting revised GSL program regulations which, among other things, will contain guidelines concerning the type(s) of accounts which guarantee agencies must subrogate to the Department. Until such time as these regulations are finalized, it is not possible to estimate the number or dollar value of agency defaulted accounts which will be turned over to the Department for collection purposes.

Question: How are you planning to collect on these loans when State agencies have been unsuccessful?

Answer: The Department has a number of collection tools which are not available to the agencies. These include litigating defaulted student loan cases in conjunction with the Justice Department, offsetting Federal employee wages, referring account information on defaulted loans to national consumer credit bureaus and, in the near future, offsetting student loan debts against Federal income tax refunds. We expect the offsetting of Federal tax refunds to be a very powerful tool in increasing collections and deterring new defaults.

LENDER PARTICIPATION

Question: For the Guaranteed Student Loan program, you also propose to reduce the lender's yield by 2 percent while a student is in school and by a half of a percent while the student is paying back the loan.

How many lenders have indicated to you that they would be willing to make Guaranteed Student Loans under those terms?

Answer: Although some opposition has been voiced at various professional meetings on the grounds that making loans would become unprofitable if the Administration's proposals on lender yield and multiple disbursements were implemented, the Department itself has not received any significant reaction to our proposals, nor do we believe that our proposals would adversely affect lender participation or loan availability. Research on lender profitability as well as the banking community's demonstrated desire to make GSLs indicate that lenders are making excessive profits (i.e., greater earnings than are necessary to maintain lender participation in the program). A recent study prepared for the National Commission on Student Financial Assistance by the Wharton Applied Research Center summarizes lender profitability by stating, "A well managed student loan offers a lender a margin of 250-350 base points above the treasury bill rate—a reasonable level of profitability before taxes for any instrument a bank may wish to offer." When one considers that these loans are insured by the guarantee agencies and reinsured by the Federal Government, it appears that a yield of 250 base points or more above the Treasury bill rate is, in fact, excessive. In addition, many lenders actively seek GSL borrowers through advertising and direct mail campaigns. At least one lender, the Greater New York Savings Bank, offered borrowers up to $100 as a cash bonus; while another bank, Consumers Bank in Worcester, Massachusetts, offers financial aid offices "points" for each student loan referral to be redeemed for gifts such as office furniture and equipment. Such active pursuit of GSL lending activity may indicate that the profits realized on GSLs are excessive. Therefore, we firmly believe that the subsidies to lenders can be reduced without jeopardizing loan availability.

MAXIMUM AID AVAILABLE

Question: Your student aid proposals would impose a $4,000 cap on the amount any student could receive from the Federal Government. What is the maximum amount currently available to students from those Federal programs?

Answer: The Department's fiscal year 1986 budget proposal to limit the amount of Federal aid a student could receive to $4,000 per year only applies to the heavily-subsidized Federal aid programs administered by the Department of Education. It does not include Federal student aid awarded by other Federal agencies such as the Veterans and Social Security Administrations, nor does it include PLUS loans or the State Student Incentive Grant program.

Under current law, maximum award levels are provided for each student aid program administered by this Department, except for the Work-Study program which pays students on the basis of work performed. These programs and maximum awards are:

Program	Maximum
Pell Grants	$2,100
Supplemental Educational Opportunity Grants	2,000
State Student Incentive Grants	2,000
National Direct Student Loans	3,000
Regular Guaranteed Student Loans	
Undergraduates	2,500
Graduates	5,000
PLUS Loans	
Graduate students and parents of dependent undergraduates	3,000
Independent undergraduates	2,500
Work-Study	No Maximum

Theoretically, if maximum awards under all programs except Work-Study and the PLUS program were made to a needy full-time student attending a high-cost institution during the 1985-86 award year, the amount of aid would equal $11,600. In addition, a student could receive substantial aid under the Work-Study program depending on the number of hours worked and his or her pay scale. On average, students earn $880 per year under this program. Furthermore, the student or his or her parent could receive a PLUS loan of up to $3,000. Including maximum aid under all programs and the average earnings under the Work-Study program, a student would receive $15,480.

Question: What percent of total aid recipients actually receive the maximum?

Answer: The annual GSL limits are: regular loans to undergraduates--$2,500; regular loans to graduates--$5,000; and PLUS loans--$3,000. We do not have data on the number of GSL recipients who actually receive these maximum amounts, but we estimate that under current law in fiscal year 1985 the average awards will be: regular loans to undergraduates--$2,090; regular loans to graduates--

$3,285; PLUS loans to parents--$2,642; and PLUS loans to students--$2,642. The actual regular loan average in fiscal year 1984 was $2,313, while the actual PLUS loan average was $2,632.

PLUS LOANS

Question: While your budget maintains that so-called "PLUS" loans to parents would add another $4,000 to the $4,000 mega-cap on regular programs, the National Association for Student Financial Aid Administrators asserts that "it is grossly unfair to suggest that a $4,000 mega-cap can be increased to $8,000 with PLUS loans because most students needing such loans would not be judged credit worthy, having no credit history, and thus not be considered good risks."

Have you considered such potential problems as difficulty in obtaining credit?

Answer: Any student, regardless of his or her family's financial resources, should be able to locate a lender willing to make a PLUS loan for the student. The PLUS program operates in all of the States and territories with about 4,000 lenders actively participating in the program. Although some lenders may restrict PLUS lending by requiring credit checks, such credit checks can be used solely to deny loans to those borrowers whose credit histories reflect consistently poor repayment records. Neither the lender nor the Department wishes to make loans to borrowers who will default. Furthermore, lending institutions are becoming more active in the program and, in fact, are beginning to view PLUS borrowing to support high-cost educations as a method to develop a long-term relationship with a customer with potentially higher earnings, regardless of the student's current financial circumstances. In addition, because PLUS loans, like regular GSLs, are 100 percent guaranteed, no lender bears any risk of borrower default. Moreover, 10 States operated direct PLUS lending programs in 1984; and, the Student Loan Marketing Association (Sallie Mae), in conjunction with the Indiana National Bank and United Student Aid Funds, provides the PLUS Assured Access Plan for eligible borrowers regardless of economic conditions or geographic location. Finally, no complaints regarding PLUS loan availability have been received by the Department.

Question: How many applicants were there for PLUS loans last year and how many were turned down?

Answer: The Department does not have statistics on the number of applicants for PLUS loans who were turned down by lenders. However, 140,000 PLUS loans were made in fiscal year 1984 and we have received no complaints from parents or students indicating that they could not find a lender willing to make a PLUS loan.

Question: For what reasons?

Answer: As indicated above, we do not have any information indicating that parents or students have been unable to obtain PLUS loans.

Question: Isn't it true that PLUS loans have to be repaid almost immediately, while a student is still in school, yet GSLs do not have to be repaid until a student begins to earn money?

Answer: Borrowers of regular GSLs do not begin repayment until the "grace" period ends (generally six to nine months following their leaving school). Repayment of PLUS loans generally begins within 60 days of disbursement. However, repayment of the principal amount of the loan may be deferred while the borrower is engaged in full-time study. Interest would accrue and be payable by the borrower during this deferment period or the lender may capitalize the interest that accrues during the in-school deferment period, and add the accrued interest to the borrower's unpaid principal balance.

Question: Do you honestly think that low- and middle-income families will be able to afford an additional financial burden of as much as $230 per month to repay the PLUS loans while the student is still in school?

Answer: It is only in exceptional cases that low- and middle-income families would face a monthly payment of $230 under the PLUS program. Each $4,000 borrowed at 12 percent would result in monthly payments of $89 (assuming a five-year repayment period). In order to have a monthly payment of $230, a parent would have to have borrowed between $8,000 and $12,000. It is difficult to conceive of a low- to middle-income family borrowing this much unless they have a number of children in college at the same time. For a low- or middle-income family, it is highly likely that the student would be receiving other Federal aid, including Pell Grants, NDSLs, and Work-Study, as well as other non-Federal aid. Such a student would not require PLUS loans. Moreover, it should be pointed out that a monthly payment of $230 is about what the monthly payment would be to purchase a new car, an expense which a middle-income family would be willing to shoulder. We believe families should be the primary source of financial support for postsecondary education and should forego such discretionary expenses as the cost of a new car to provide for their children's educations.

GRADUATE STUDENTS' COSTS

Question: Your FY 1986 budget request proposed a $4,000 limit on the total amount of Federal student financial assistance an individual student could receive in any given year. This is $1,000 below the amount that can be borrowed under one program--the Guaranteed Student Loan program--for graduate students.

What is the average annual cost of attending graduate school and what proportion of this total cost would the Guaranteed Student Loan pay if your $4,000 limit on total Federal student financial assistance were enacted?

Answer: For 1981-82, the latest year for which data are available, the average annual costs of attending graduate school were:

Graduate Tuition:

Public (in-State)	$1,038
Private	$4,374

Undergraduate and Graduate:

Room	$950
Board	$1,041

Under our proposed cap, the GSL program would continue to cover a large portion of graduate student expenses. In fiscal year 1984, the average graduate student regular GSL was estimated to be $3,220 or $1,780 less than the maximum. An additional $4,000 could also be obtained under the PLUS loan program and further aid would be available from State and institutional sources. Therefore, we do not believe that our proposed cap would deny any student access to the graduate program of his or her choice.

Question: What effect would this annual limit have on graduate students financing their graduate studies through the GSL program?

Answer: We estimate that the $4,000 aid limit would result in about a five percent decrease in graduate student borrowing under the regular GSL program. However, an additional $4,000 could be obtained under the PLUS loan program and further aid would be available from State and institutional sources. Therefore, although the proposed aid cap may encourage students to weigh the costs and benefits of various graduate school options more carefully, we do not believe that our proposal would deny any student access to the graduate program of his or her choice.

Question: To what extent have graduate students relied on the PLUS or Auxiliary Loan program which must be repaid 60 days after loan disbursement?

Answer: The PLUS program was created by the Education Amendments of 1980, which authorized a less-subsidized loan program for parents of dependent undergraduate students. The first loans were disbursed in 1981. The Omnibus Budget Reconciliation Act of 1981 broadened PLUS eligibility to include independent undergraduate and graduate/professional students. As long as student PLUS borrowers are enrolled on a full-time basis, they are not required to begin repaying the principal. Also, the lender may allow the in-school interest to be "capitalized"--added to the principal for later repayment.

We do not have an exact breakout of the number of students and of parents borrowing under the PLUS program, but estimate that the ratio of student-to-parent borrowing is approximately 40:60. The table below shows the total number of loans and loan volume for the entire PLUS program.

PLUS Program Borrowing

Fiscal Year	# of Loans	Loan Volume (in $000's)
1981	11,000	$ 30,000
1982	42,000	103,000
1983	100,000	257,000
1984	140,000	369,000

GUARANTEE AGENCIES

Question: Why does Education allow overlapping guarantee agency programs when each State now has its own program? If overlapping programs are permitted to encourage access, how does Education verify that overlaps occur only in those cases where access is a problem? Why is access a problem, given the heavy Federal funding of the guarantee agencies? If access is a problem, why was the Federally Insured Student Loan Program (FISLP) discontinued?

Answer: Guarantee agencies are permitted to guarantee GSLs made by lenders in states in which they are not the primary guarantor, not for purposes of encouraging access to loan capital, but by virtue of the fact that the current statute does not prohibit such a practice. Thus, unless restricted by its own state statute, an agency could elect to guarantee the loans of out-of-state lenders, and would not need Departmental verification that an access problem exists. In fact, limited access is no longer a problem in the GSL program and it is for this reason that lending under the Federal Insured Student Loan program, which was set up to ensure GSL loan access, was phased out in July 1984.

Question: Can the Department determine the adequacy of the reserves held by individual guarantee agencies? How were these levels determined? What is being done to decrease contributions to the reserves by (a) Education or (b) students? What is being done to effect an orderly return of Federal advances?

Answer: The Department is able to determine the adequacy of reserves held by individual guarantee agencies through its guarantee agency "sources and uses of funds" reports. As of September 30, 1984, guarantee agencies had accumulated a surplus of approximately $841.5 million. This amount is derived by adding up all sources of income and subtracting all uses of income. Sources of income include State appropriations, insurance premiums, Federal loan advances, reinsurance claim payments, administrative cost allowances, collections of defaulted loans, and income from investments. Uses of income include payments of default claims to lenders, operating expenses, the portion of collections remitted to the Department, and other miscellaneous expenses (lender fees, repayment of loan advances, etc.). This analysis was performed on each guarantee agency to determine the adequacy of its reserves. The reserves held by the agencies are more than adequate to cover the agencies' reasonable contingent liabilities.

Since guarantee agencies have accumulated substantial reserves, the Department's fiscal year 1986 budget proposed to establish cost-sharing measures with State guarantee agencies so that each State or territory bears partial responsibility for financing the GSL program. Such measures include revising the current reinsurance rate formula while retaining all of the current policy requirements for 100 percent reinsurance. The Department's reinsurance of new loans made for academic year 1985-86 and beyond would be limited to 90 percent of any default claim, with the reinsurance level dropping to 70 percent or 50 percent depending on the ratio of each agency's net defaults to the cumulative amount of loans in repayment at the end of the prior year.

Other Department proposals for sharing some of the cost of the GSL program include: requiring guarantee agencies to repay all outstanding advances by the end of 1986 while not requesting funding to support payment of new advances to agencies; and, eliminating payment of administrative cost allowances to guarantee agencies. These payments are no longer necessary, given the guarantee agencies' significant reserves.

Agencies will still be authorized to retain up to 30 percent of default collections and can still charge insurance premiums to help defray their administrative costs. Almost all guarantee agencies charge their lenders an insurance premium to insure the lender against losses on student loans. The lender, however, may pass the cost on to the borrower. The premium may not exceed one percent per year. Thus, for the most part, students will continue to indirectly support guarantee agency reserves.

HIGHER EDUCATION

TITLE III AID TO DEVELOPING INSTITUTIONS

Question: Please describe the impact on institutional eligibility of your proposal to modify the eligibility criteria for the Aid for Developing Institutions program. How many of the currently eligible institutions would lose their eligibility?

Answer: Since we propose to change the Title III eligibility criteria to drop institutions which charge high tuition but do not serve a large number of disadvantaged students, approximately 250 institutions which are currently eligible for Title III would no longer be eligible under our proposal. However, any such institutions which currently has a multiple-year grant under either Part A or Part B of the program would be eligible for continuation grants until the multiple-year award expired. While we would be dropping some currently eligible institutions, our analyses indicate that approximately 260 "developing" institutions which should be eligible--but which are not under current law--would become eligible under our proposal. These estimates are based on initial analyses of our proposed changes and are subject to change.

Question: What kinds of institutions would be most adversely affected?

Answer: The kinds of institutions that would be most adversely affected by our proposed changes in the Title III eligibility requirements are institutions that charge high tuition but do not serve a large number of disadvantaged students, and graduate institutions which do not have undergraduate programs.

Question: What amount of Aid for Developing Institutions program funding is awarded to historically Black colleges, to colleges serving largely Hispanic populations, and to colleges serving Native American students?

Answer: In fiscal year 1984, under the Aid to Developing Institutions program, $46.4 million was awarded to historically Black colleges and universities, $6.2 million was awarded to predominantly Hispanic colleges, and $2.4 million was awarded to predominantly Native American colleges.

Question: Are there reasons to consider for creating set-asides for the last two kinds of institutions given the set-asides already in place for the historically Black colleges?

Answer: We do not believe that it is necessary to create set-asides for predominantly Hispanic or for Native American institutions. There are very few institutions in either of these two groups. Our experience with the current multiple statutory set-asides has taught us that it is extremely burdensome administratively to have set-asides for small groups of institutions. The number of eligible predominantly Hispanic and Native American institutions is even smaller than the number of historically Black colleges and universities--just 15 eligible colleges have a predominant enrollment of Native Americans, and only 60 eligible colleges have a predominant enrollment of Hispanics. Creating new set-asides with such limited groups of potential applicants, and particularly in consideration of the statutory requirement that institutions graduate from the Title III program, would make the Title III program even harder to administer than it is now.

Moreover, such set-asides are not necessary because the predominantly Native American and Hispanic institutions have been more successful in recent years in qualifying for and receiving Title III assistance. This is largely due to specialized technical assistance workshops we have provided specifically for these types of institutions.

SPECIAL PROGRAMS FOR THE DISADVANTAGED (TRIO)

Question: You are proposing a number of changes in the five components of the TRIO program. The purpose of TRIO is to promote access to and retention in postsecondary institutions for individuals from disadvantaged backgrounds. You would eliminate three of TRIO's programs (Talent Search, Educational Opportunity Centers, and Staff Training) and make other reductions in Special Services and Upward Bound. Funding would be reduced from $174.9 million to $82.3 million.

Are you basing your proposed changes in TRIO on any current information as to the program's effectiveness? Or is it purely due to economics?

Answer: In developing the fiscal year 1986 budget request for the Special Programs, we did consider program effectiveness. Recent evaluations of the Upward Bound and Special Services programs have shown them to be very effective in helping disadvantaged students enter and complete a postsecondary education program. The proposed changes are intended to build on the demonstrated success of these programs, to support only direct services to disadvantaged students, and to expand the number of institutions and organizations offering such services.

No funds are requested for the Talent Search, Educational Opportunity Centers (EOC), and Staff Training programs in order to focus limited funding on the highest priority, most effective direct services programs. The Talent Search and EOC programs provide academic and financial counseling services that duplicate State, local and institutional efforts and responsibilities. Moreover, financial aid information is available from a variety of sources. Staff training will be an allowable cost under the Special Services and Upward Bound programs and need not be funded separately.

Question: How successful are the Upward Bound program and Special Services in assisting disadvantaged students to complete high school and enter and complete postsecondary education?

Answer: The success of the Upward Bound and Special Services programs has been documented in several studies. The most recent evaluation of the Special Services program was conducted in 1983 as a follow-up study to the original evaluation in 1980 by Systems Development Corporation. In 1984, an evaluation of the effectiveness of the Upward Bound program was conducted for the Department by Applied Systems Institute.

The evaluation of the Special Services program (Systems Development Corporation, 1980) indicates that postsecondary students who received the full range of these types of services were 2.26 times more likely to complete their freshman year than similar students who did not receive such services. They also attempted and completed more course units. The follow-up study (Systems Development Corporation, 1983) reported that 60 percent of the Special Services participants were still enrolled after the initial freshman survey and over half were full-time students.

The evaluation of the Upward Bound program (Applied Systems Institute, 1984) generally confirmed the findings of earlier studies that the program influenced a significantly higher proportion of disadvantaged youths to apply to college, obtain financial aid, attend college, and persist in college for one year after high school.

FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION (FIPSE)

Question: Will you cite some examples of the way in which the Fund has made a significant contribution to postsecondary education?

Answer: There is considerable evidence that the Fund for the Improvement of Postsecondary Education (FIPSE) has made significant contributions to higher education in virtually all fields of study. The program has supported hundreds of locally initiated projects which address new subjects and new approaches. Some of the contributions made by these FIPSE projects go beyond simply awarding grants. For example, State agencies and private foundations have adopted aspects of FIPSE's operations and practices. Others, such as the Department of Labor and the Carnegie Corporation, have provided funds in addition to those provided by FIPSE for grants in specific areas.

Frequently, FIPSE has made contributions to the improvement of postsecondary education by bringing together several projects of a similar nature to focus their efforts on a common goal, thus avoiding duplication of effort. The early work of these groups of FIPSE projects in areas such as increasing consumer-oriented information provided by colleges, developing services to help minority students succeed in college, improving faculty teaching, and revising undergraduate general education curricula, have served as a guide for other colleges interested in improvements in these areas.

Currently, FIPSE is funding over 20 projects in which collaborative efforts of universities and businesses are demonstrating new educational approaches to address rapid economic shifts. In addition, FIPSE projects are contributing to the rapid development of educational uses of computers. Fifty current and past FIPSE projects are engaged in collaborative efforts to share more effective uses of technology in college classrooms with thousands of faculty members.

Specific examples of the contributions made by FIPSE project grants follow:

Science Teaching--The Baylor College of Medicine, in collaboration with the Houston Independent School District, is working with 108 high school life science teachers to analyze curriculum, develop programs and create mentoring relationships. The program has been extended to contiguous districts. Based on its FIPSE program, Baylor has been awarded a three-year grant from the National Science Foundation to extend the program to include math teachers and other science teachers in collaboration with Rice University, Texas Southern University, and the University of Texas. The methodology and content are being documented for adoption or replication by 126 U.S. medical schools.

Math Anxiety--At Wesleyan University (Connecticut) in the mid-1970s a FIPSE project addressed math anxiety, which has presented a barrier for women. Math anxiety clinics were developed to help students overcome their inhibitions about math. This work led to project director Sheila Tobias' best seller, Overcoming Math Anxiety. A number of other institutions have incorporated Tobias' approaches in their programs.

Quality in Educational Software--With FIPSE support, the University of Iowa's CONDUIT, a National Science Foundation project to develop and distribute mainframe computer software, became a self-supporting publisher of microcomputer software. CONDUIT has perhaps the best reputation for quality in postsecondary software and, since its original FIPSE grant, has begun to sell materials to high schools and to advance educational quality on that level as well.

Focusing on Competencies--Alverno College (Milwaukee, Wisconsin), with the assistance of a FIPSE grant, altered its entire curriculum, organizing it around desired intellectual abilities rather than just subject area content. Alverno also developed an assessment center that offered students various ways of demonstrating competence, which in turn helped to raise standards. As a result, Alverno has become a national pilot project in assessing the outcomes of a liberal education. Because of its celebrated success, the college has been visited by hundreds of educators interested in some aspect of its program.

Minority Attrition--One of FIPSE's most notable accomplishments in programs for disadvantaged and minority students is the Professional Development Program at the University of California at Berkeley. Since 1978, students in the program have participated in workshops promoting the development of math and science problem-solving skills, and engaged in a community of peers with whom they work, study, and socialize. This program has reduced attrition, dramatically increased grade point averages, and prompted the State of California to promote this model throughout other State campuses.

Liberal Arts in Business--The University of Maryland is developing an innovative curriculum that will combine the strengths and values of a liberal arts education with the theoretical framework and practices of business. Eleven new courses are being developed. While this FIPSE project is only in its second year, favorable media attention is leading to numerous inquiries from other institutions interested in adopting or replicating the Maryland program.

Educational Television--Wayne State University and public television station WTVS in Detroit established a 24-hour metropolitan area educational channel in cooperation with 10 colleges and 10 cable companies, using existing program materials. This led to the establishment of a second such channel in Detroit without FIPSE support, which provides educational programming related to employment issues. A number of other cities are considering establishing such educational channels.

International and Foreign Language Education--Pacific Lutheran University and six other small Northwest universities have been developing an approach which incorporates an international perspective into certain aspects of their business schools' curricula. Their approach is winning nationwide attention.

Eastern Michigan University developed a foreign language and business program which has reversed declining foreign language enrollments. Two dozen institutions, ranging from the Massachusetts Institute of Technology to California State University-Fullerton, have joined with Eastern Michigan to form a consortium to continue and expand the program.

The American Council on the Teaching of Foreign Languages and the University of Pennsylvania are developing foreign language oral proficiency tests as the first stage in the creation of a national system for improving language teaching and establishing standards of accomplishment for student certification.

Medical Education--The University of Massachusetts Medical Center is using a FIPSE grant to establish a Northeast region clinical evaluation center for assessing and ensuring the competence of physicians during their residency training. The project provides assistance for medical schools and residency programs in the Northeast to address problems such as the assessment of skills of American physicians educated abroad and foreign physicians requesting certification to practice in this country, and the assessment of physicians currently receiving training in residency programs. The American Board of Internal Medicine, which certifies all physicians practicing internal medicine, is contributing $150,000 to the project and sees it as a model for a national program.

Question: Why is the program slated for elimination this year but was not last year?

Answer: There are a number of factors which contributed to the Administration's decision to propose the elimination of funding for the Fund for the Improvement of Postsecondary Education (FIPSE) this year. Chief among them is that Federal support for low-priority, discretionary programs cannot be justified in this time of national economic austerity. It is clear that the Department, along with other Federal agencies, must reduce discretionary spending in order to reduce the Federal budget deficit.

In addition, during the past year the Department released a report, Involvement in Learning, which has stimulated considerable reform in higher education. Nearly all of this reform has been undertaken without financial support from the Federal Government. It was in light of this reform movement that the Administration decided not to request funds for this program.

Question: Weren't we just as concerned about the "deficit" last year when the budget was proposed?

Answer: Yes, the deficit was of considerable concern to us last year. Because the deficit has continued to grow over the past year, however, even more stringent limits on Federal spending are required. The Administration believes that funding for FIPSE is no longer practicable in these hard economic times.

Question: Wasn't this program saved last year because of the very significant amount of private support generated for postsecondary improvements as a result of a rather modest Federal investment?

Answer: Yes, the FIPSE program was continued last year, in part, because the program has attracted considerable support from the private sector in improving postsecondary education. It is our assessment, however, that improvements would continue to occur in higher education regardless of whether or not Federal funds for such improvements are available.

INTERNATIONAL EDUCATION

Question: You state that philanthropic or other private sources could make up for the loss of Federal funds for international studies. Are you aware of last year's study published by the American Association of Universities indicating that private sources have substantially reduced their funding for such areas as international education? Why do you believe this trend will be reversed?

Answer: Yes, we are aware of the American Association of Universities study which shows that private support for International Education has declined in recent years. We suspect, however, that this decline is related to increases in Federal support for these programs over the years, because overall support for higher education from the private sector is higher than ever. We believe this reflects the commitment of the private sector to higher education and strongly suggests that, with the withdrawal of Federal support for International Education, private support will be forthcoming.

It should be noted, that the Department's international education programs provide only a small portion of the support to institutions of higher education in these areas. For example, Federal funds account for only about 10 percent of the support for the National Resource Centers--which is the largest of the international education programs. Because foreign language studies and area and international education programs are now well-established parts of postsecondary curriculums, the institutions should assume full funding responsibility. We believe that the supported curricular centers and studies will continue in the absence of Federal funding.

LAW SCHOOL CLINICAL EXPERIENCE

Question: How many of the approximately 60 Law School Clinical Experience projects funded in FY 1985 do you estimate would continue through FY 1986 if Federal funding support for this program were to cease, as you propose in your FY 1986 budget?

Answer: Current data provide no evidence that any law schools which currently participate in the Law School Clinical Experience program would cease operating programs because they lack Federal funding. The purpose of Federal support for the program was to demonstrate the concept of clinical legal education and to encourage law schools to increase their financial commitments for this educational approach. Support of clinical legal education was not intended to be considered a permanent Federal responsibility. We believe the concept of clinical legal education has been adequately demonstrated, since programs have been supported at most of the Nation's accredited law schools.

There is evidence that this program would continue with private sources of funding. For example, the Ford Foundation-sponsored Council on Legal Education for Professional Responsibility has spent approximately $7 million over the past ten years to support approximately 100 clinical legal education programs. Law schools are also making a greater financial commitment to clinical education by including clinics in their regular budgets and are providing tenure positions to clinical professors.

ACADEMIC FACILITIES CONSTRUCTION GRANTS

Question: How can you justify your assertion of a diminished need for Federal support through the Academic Facilities Construction Grants program, when the Department of Education testified a year ago that the estimated cost of deferred facility maintenance was between $40 billion and $80 billion?

Answer: We do not dispute the existence of substantial infrastructure needs at the Nation's higher education institutions (the accumulation of deferred maintenance and replacement costs has been widely reported). We do, however, disagree with the notion that the Federal Government should play a major role in helping to finance the capital outlay needed to meet those costs--especially when we are attempting to restrain discretionary spending. Responsibility for this type of fundamental support lies with the colleges and universities themselves, State and local governments, taxpayers at those levels, and private sector users and beneficiaries of higher education services.

Moreover, for the following reasons, we believe that any arguable need for Federal facilities assistance that may have existed previously is greatly diminished:

- The physical plant demands that colleges and universities were confronted with in the 1960s when the higher education facilities programs were created (demands engendered principally by rapidly expanding postsecondary enrollments) no longer exist. Full-time postsecondary enrollments have been basically steady over recent years, and are projected to decline by more than 11 percent over about the next decade.

- The more current higher education infrastructure needs have been brought about largely because of the accumulation of years of deferred maintenance and replacement--deferrals necessitated by the unfortunate recent years of especially "lean" institutional budgets strained by high inflation, rapidly increasing energy costs, and generally declining levels of discretionary resources at State and local government levels. These circumstances have been largely remedied, however, and we have witnessed significant improvement in the financial status of colleges and universities, as well as in the fiscal capacity of State and local governments, taxpayers, and the private sector for supporting these institutions.

  This general revitalization has occurred under an economic recovery program now distinguished by lower inflation, lower interest rates, lower Federal taxes, tax policies supportive of private sector/education partnerships and other such initiatives, simplified programs of Federal

> assistance to State and local governments, and less burdensome Federal regulation. The Nation's sustained economic performance can be expected to continue to play a large role in helping colleges and universities to address physical plant needs accumulated over the previous years of institutional fiscal restraint.
>
> For example, it is significant that over the past few years (notwithstanding a small decline in 1984), the value of college and university endowments has risen dramatically--by an estimated 41.3 percent in 1983 alone. It is noteworthy, too, that lower inflation--in particular--has strengthened the buying power of these higher education dollars.

In sum, we believe that higher education institutions themselves, and as appropriate, State and local governments, are now in a better position to help finance facilities construction, and such financing is more appropriately their responsibility. Where currently available State and local tax dollars or institutional resources are not adequate, bond and commercial lending markets--which are healthy--can be tapped. In fact, the marketing of construction bonds is one of the most common manners of raising capital for facilities projects, and there is no reason that it should not remain so.

Question: What plans do you have to obtain a more accurate estimate of facility needs in postsecondary education?

Answer: We have no near-term plans to carry out directly an assessment of general higher education academic facilities needs. We are, however, well-aware of the many privately conducted studies and do not dispute their general findings.

Again, let me point out that our budget proposal is not based on any notion that there is not, in fact, a real and substantial infrastructure need at colleges and universities. Rather, it is simply that we believe the primary responsibility for meeting these needs generally is an institutional, State and local, and private sector responsibility.

The only appropriate Federal interest in higher education infrastructure relates to a limited, albeit important, aspect of physical plant--certain specialized research and development (R&D) facilities and equipment. This Federal interest is appropriately and adequately addressed through the R&D programs and budgets of several other Federal agencies for which research is a more integral element of agency mission (most notably, the National Science Foundation (NSF), the Defense Department, the Department of Energy, and the National Institutes of Health).

With regard to Federal-level studies of this more focused aspect of college and university physical plant, the NSF--as the Federal Government's "lead" agency in general and basic scientific research--was recently encouraged by the Congress to estimate the magnitude of the current facilities problem. The Congress has also directed the Defense Department to undertake a study on the need to modernize university science and engineering laboratories considered essential to long-term national security needs.

In an interim April 1984 survey report prepared under the direction of the Ad Hoc Interagency Steering Committee on Academic Research Facilities with the assistance of the NSF Task Force on Academic Research Facilities, it was estimated that about $1.3 billion per year of construction, remodeling, and refurbishment of science, engineering, and medical research facilities is currently being planned--as needed over the next five years--by all U.S. colleges and universities.

Also on this topic, the congressional General Accounting Office issued a 1984 report on various existing and on-going reviews (both privately conducted and Federal Government-sponsored) of university research equipment needs and concluded that a "precise estimate [of need] did not exist...[but that there is]... substantial need...of major concern to the scientific community."

QUESTION SUBMITTED BY SENATOR MARK ANDREWS

TITLE III AID TO DEVELOPING INSTITUTIONS

Question: When a school submits a proposal for a Title III grant, it undergoes what is referred to as the jar test. That is, the test used to determine if a proposal is just, accurate and reasonable. Does this test in turn determine how much funding a school will receive for its proposal?

Answer: The Department uses a two-step application review process to make funding decisions from among the applicants which have been designated eligible under the Title III program.

First, new applications are reviewed by non-Federal experts who judge the quality of the activities proposed in the application and make overall recommendations based on the merits of the application. The review does not, however, determine the allowability of activities and costs, but is designed to judge the validity of the proposed activities in relationship to the institution's long-range plan. The reviewers recommend specific time frames to accomplish activities, and generally recommend which specific activities should be carried out.

Then, once an application is selected for funding, a staff review is made to determine if the proposed activities and costs are justified, allowable, and reasonable (hence, the name "JAR" test). This standard is applied to both new and non-competing continuation applications to determine funding levels for successful applicants.

Question: Enactment of the Higher Education Amendments back in 1980 was a concerted effort on the part of Congress to move away from the degree of subjectivity, which previously characterized the awarding of Title III grants. Are there currently steps in place that would ensure uniform and consistent treatment of all Title III applications by the program officer?

Answer: Yes, there are procedures in place that ensure uniform and consistent treatment of all applicants. The evaluation of new applications is governed by an approved technical review plan which establishes checks and balances to assure that all new applications are uniformly and properly reviewed. This plan is approved by the Assistant Secretary for Postsecondary Education and the Chief of the Grants Management Staff.

General guidelines regarding developmental activities and costs are furnished to all potential Title III applicants, and the material in the guidelines is reviewed extensively at annual technical assistance workshops which are held for potential applicants. All successful applications, as selected by non-Federal experts, are reviewed by Title III program staff who make recommendations regarding the allowable costs and activities in each application.

The recommendations of the staff are carefully reviewed by the Branch Chief and the Division Director to assure the uniform and consistent treatment of all applications. The applications are then submitted to the Grants Management Staff for negotiation.

Question: Have there been complaints regarding inconsistencies in the treatment of applications--say, for example, in a particular region?

Answer: No, we have not received any complaints regarding our treatment of applications.

Question: Has the Department ever monitored the treatment of applications?

Answer: As required by the technical review plan, the treatment of applications, both for new and non-competing continuation grants, is routinely monitored by the Title III Branch Chief and the Division Director to assure uniform and consistent treatment.

Question: When a program officer is assigned to cover schools within a certain region, does that individual stay in that slot for a period of time?

Answer: Generally, a program officer assigned to cover a particular region remains in place for a reasonable length of time. Recently, however, the Division of Institutional Development, formerly organized geographically, was reorganized into specific program branches. This has resulted in major shifts in the staffing in the Division. Now that this new organizational structure is in place, we do not expect significant shifts in staffing assignments unless program officers are reassigned, or when attrition occurs.

Question: During the last two years, the Department found it was necessary to rateably reduce final grants awards under Title III. However, in the November 6, 1984 FEDERAL REGISTER, the Department stated: "Applicants should prepare the FY 1985 submissions based upon the activities and budget projections of the initial grant document approved by the Department. FY 1985 budget requests should not exceed the established projections for approved activities for the new submission." Secondly, it seems to me that there should be no problem with respect to the set-asides since the Department knew these well in advance. Third, the Department knows what grants will be terminating when. My question then is why are the rateable reductions necessary?

Answer: When multiple-year proposals were first solicited under the Strengthening and Special Needs Programs in 1982, annual maximum grants were established for each type of grant ($800,000 for non-renewable grants and $200,000 for renewable grants). No ceilings were placed on Challenge Grants because of the program's matching requirements.

Many of the proposals received by the Department in the 1982 grants competitions contained developmental activities that were scheduled to begin in subsequent budget periods, such as the third year. This was particularly true in the applications for non-renewable grants for the Strengthening Program under which activities tend to phase in and out of development over the life of the multiple-year grant. Generally speaking, most activities require about three years to develop to a point where the activity can become operational.

Rateable reductions have been necessary because the total amount requested by applicants exceeded the amount of funds available for the program. This has been true for fiscal years 1983 and 1984. Although we have encouraged institutions to use the original estimate of costs contained in their application for future budget periods, institutions tend to include non-allowable activities and/or new activities in their applications for noncompeting continuation grants. Moreover, as most institutions requested more funds for continuation grants than estimated, reductions have had to be adjusted for different groups of institutions since mandatory set-asides in specific programs and across programs require minimum funding levels for certain kinds of institutions.

Question: If these rateable reductions are necessary, why can't the Department determine how much of a reduction will be required before the award cycle begins--not during or after?

Answer: There are a number of factors which make it impossible to anticipate the percentage of reduction. When applicants submit initial requests for multiple-year awards which project costs for extended time periods, it is very difficult to accurately estimate out-year costs and the length of time particular development activities will require. Since activities are scheduled to be developed within approved time frames--with budgets estimated accordingly, allowances must be made for institutions which fail to complete the activities within the approved time period. Consequently, grantees tend to revise their developmental activities annually which results in higher funding requests.

Furthermore, developmental plans proposed by each institution vary dramatically. Some institutions have high costs in the early years of the grant, while others have high costs in the later years. Out-year costs could escalate because expensive equipment is purchased after initial planning has been completed. Generally, if an activity proposed in a continuation grant is allowable, reasonable and justified, and if the activity remains an essential part of the developmental project, the cost of that activity is approved.

These factors result in costs of the continuation grants varying considerably from year-to-year resulting in significant fluctuation in the amount requested by applicants for a particular out-year when compared to the initial projection for that year. The Department, therefore, is not able to determine the need for, or the percentage of a rateable reduction until the continuation grant applications are received.

Question: It is my understanding that the Department relies on 1981-82 data when looking at the percentage enrollment of Pell grantees with respect to Title III. Why isn't your data more current?

Answer: There are several factors that are used to determine Title III eligibility, only two of which require the Department to use Pell Grant award data. Pell Grant data are used only in determining eligibility to participate in the Part A Strengthening program. Eligibility for the Part B Special Needs program uses Title IV need-based aid data. Both the Parts A and B programs use educational and general (E and G) expenditures data. The Department uses the same base year for all the factors in determining eligibility.

The educational and general expenditures data are available from the National Center for Education Statistics' Higher Education General Information Survey (HEGIS). The most recent, reliable HEGIS data on educational and general expenditures are for 1981-1982. Since this is the most recent educational and general expenditures data available, we must use the 1981-1982 Pell Grant award and Title IV need-based aid data fo- comparability.

The Department could use different base years for each of the factors required to establish Title III program eligibility. We believe, however, that this would present a distorted picture of "developing" institutions since we would be comparing essentially non-comparable data.

Question: Have estimates been made as to what impact the use of more recent data would have in making these eligibility determinations?

Answer: Since the educational and general expenditures data are not yet available from HEGIS for more recent years than 1981-1982, it is not possible for us to assess the impact of using a different base year for Title III eligibility determinations.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

TITLE III - INSTITUTIONAL SUPPORT

Question: In fiscal 1983, more than 40% of the funds appropriated for Title III institutional support went to predominantly minority institutions. What was the percentage last year?

Answer: In fiscal year 1984, a total of $61.4 million was awarded to institutions with predominantly minority enrollments. This represents 46 percent of the total Title III funds awarded in that year.

Question: Would there be any change in this regard under your legislative proposal?

Answer: Under our legislative proposal, we do not anticipate that there would be any significant shift in the amount of Title III funds awarded to institutions with predominantly minority enrollments.

QUESTION SUBMITTED BY SENATOR DANIEL K. INOUYE

TITLE III AID TO DEVELOPING INSTITUTIONS

Question: Dr. Elmendorf, during the conference deliberations on your Fiscal Year 1985 appropriations bill, we had included language urging that the Department pay special attention to the unique needs of the Pacific Basin region under the Title III (Developing Institutions) program. Would you please provide the committee with a report on your efforts in response to the conferee's request.

Answer: In response to the conference report language, the Department has negotiated a new memorandum of understanding with each of the Pacific Basin territories to provide them with an alternative method of establishing eligibility for Title III. In addition, the Office of Postsecondary Education has provided pre-application technical assistance to institutions of higher education in these territories and to the University of Hawaii to help them establish eligibility and apply for funding. Once awards are made, the Department will provide follow-up technical assistance to funded applicants.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

COLLEGE HOUSING LOANS

Question: You have tried unsuccessfully in the past few years to disallow any new loan commitments under the College Housing Loan program. For FY 1986, you are again proposing that no new loans be made from the program's revolving fund.

How much demand was there for Federal assistance under the College Housing Loan program?

Answer: For fiscal year 1984, the Department received 189 College Housing loan applications--152 applications requesting $368.236 million for housing construction (both new construction and renovation) and 37 applications requesting $20.069 million for energy conservation rehabilitation.

Question: Rather than fail again at doing away with new loan authority, why don't you work at changing the authorization to put the current three percent interest rate more in line with market rates, but maintain the availability of loans to certain institutions?

Answer: We would certainly agree that the credit subsidy being supported under this direct loan program is excessive and--by being tied to a fixed lending rate--unresponsive to changes in private market conditions. Each year, the Federal Government is absorbing the difference between the three percent interest returned on these loans, on average, by colleges and universities and the prevailing yield on public debt obligations with maturities comparable to the long-term borrowing configuration of the revolving fund (or, in other words, the Federal Government's own cost of long-term borrowing). While the lending rate for College Housing loans has remained at about the three percent level since the program's operational inception in 1950, the Federal Government's interest payment on long-term public debt obligations has risen dramatically. At the current average rate for such borrowing (about 12.5 percent), the program's subsidy cost in fiscal year 1984 was an estimated $233 milion--none of which appears in the College Housing budget, but rather is subsumed by the Treasury's annual debt service payment. In light of what we are asking others to sacrifice to help reduce the Federal deficit, this level of subsidy to a generally healthy higher education institutional community is unjustifiable.

More fundamentally, however, we do not believe that this program of credit assistance is of sufficient priority generally to justify a continuation of loan authority at all--at any lending rate. We arrive at this conclusion in consideration of the several factors most relevant to the current need for College Housing assistance (namely, the generally adequate availability and condition of housing and student service facilities, declining full-time enrollments--in particular, the even more dramatically declining numbers of "traditional" students who more typically require on-campus housing, and the generally healthy condition of private capital lending markets), as well as the Federal Government's current strong interest in restraining discretionary spending. Instead of being used for making unnecessary and unreasonably highly-subsidized new loans, this program's available resources could be used for making Treasury repayments--thus serving as an especially appropriate vehicle for helping to reduce the Federal deficit.

Question: How many institutions have taken advantage of the provision in the last two annual appropriation bills to allow a discounted payback of the loan?

Answer: During the fiscal year 1984, 238 institutions of higher education were approved for College Housing loan discounts on about 639 loan issues (with then-outstanding principal balances of about $573.823 million) subsequently prepaid for a total of about $282.5 million. About $169.5 million of this total was recorded as 1984 collections, with the remaining $113 million being posted as current year--fiscal year 1985--collections (due to some delays incurred in processing the prepayments through trustee banks, Federal Reserve Bank fiscal agents, and the Treasury).

Since these first-year prepayment discounts, only seven more loan issues have been so approved. Although we expect that some additional prepayments will likely be approved by the close of this fiscal year (at which time the existing discounting authority expires), we do not anticipate anywhere near last year's prepayment volume.

Question: How much has the Government saved that it otherwise would have lost due to likely defaults or delayed repayments under the discount provision?

Answer: Of the total amount of outstanding loan principal approved for prepayment during fiscal year 1984, $641 thousand was in satisfaction of then-defaulted principal balances. Potentially, this amount might not have been collected but for the prepayment discounting (i.e., it might eventually have been necessary to write off this amount as a loss on the underlying loan issues). We expect that several more loan issues currently in default will be prepaid by the close of this fiscal year--again, averting what may otherwise have resulted in eventual write-offs of outstanding principal balances.

Question: What action have the authorizing committees taken regarding adopting a statutory discount provision?

Answer: We are not aware of any action that the authorizing committees (i.e., the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Banking, Finance, and Urban Affairs) have taken or are now actively considering relative to extension of loan prepayment discounting under this program.

During the previous session of the Congress, we submitted and had introduced in the House of Representatives our proposed "Student Loan Collection Improvement Amendments" (H.R. 4503). Subsequently, we submitted--as an addition to this bill's provisions relative to collections on student loans--a proposal for a several-year extension of prepayment discounting for College Housing loans as well as establishment of a similar negotiable-rate discounting authority for academic facilities loans. These amendments were not introduced, however. Moreover, no similar overall debt collection bill was introduced in the Senate, and no further action was taken in the House.

During the current session of the Congress, what is essentially the same bill (with a few needed updates and other sorts of technical revisions, but not yet with our loan discounting amendments), has been introduced in the Senate (S. 491) and reintroduced in the House (H.R. 2150).

As you know, we have also submitted the loan discounting proposals to the Congress--but for a one-year authorization only--as part of our proposed "Higher Education Amendments of 1985."

HIGHER EDUCATION FACILITIES LOANS AND INSURANCE

Question: What is the current schedule for the completion of the Department of Education's obligation for interest expenses under the Higher Education Facilities Loans and Insurance program on loan capital provided by the U.S. Treasury and the Government National Mortgage Association?

Answer: The program's revolving fund is liable for annual interest payments as follows:

- To the Treasury on outstanding loan capital originally provided under direct appropriations (representing the major portion of loan volume remaining outstanding to colleges and universities).

- To the Government National Mortgage Association (GNMA) on outstanding participation certificates (public securities marketed in 1967 and 1968 to raise additional capital).

Of the existing portfolio, the final few loan issues supported with appropriated capital are not expected to be fully repaid until about 2012 (unless prepayment options are exercised). Given that, interest payments to the Treasury can be expected to continue as an annual liability through that same year--provided that no further loan-making (typically with 30-year repayment periods) is authorized. If any new loans were to be authorized and awarded, then interest payments to the Treasury would extend through the retirement of those new loans--retirement dates potentially beyond 2012.

The final issues of GNMA participation certificates mature in 1987 and 1988, and so interest payments on the securities will continue at least through those same two years. Should the resources of the program's revolving fund not be sufficient to fully redeem the principal liability on the certificates by their currently scheduled maturation dates (and in the absence of additional dollars appropriated specifically for certificate redemptions), the securities would then have to be refinanced by GNMA. If that scenario were to come to pass, then interest payments would recommence and would continue through whatever period of refinancing were to be arranged.

Question: What specific changes do you plan to make in the loan discounting authority under the Higher Education Facilities Loans and Insurance program?

Answer: We have proposed authorization of negotiable-rate prepayment discounting for academic facilities loans similar to the existing authority for College Housing loans. Currently, there is available under this program only fixed-rate (25 percent) prepayment discounting--a discounting that fails to protect the Federal Government's financial interests in some cases (where the "present value" of an outstanding loan exceeds 75 percent of the loan's remaining principal liability) while also failing to provide adequate institutional incentive for prepayment in other cases (where a loan's "present value" falls short of 75 percent of remaining principal liability).

Also, in addition to the several restrictions already imposed under the current fixed-rate discounting authority, our proposal would prohibit prepayments from being made (1) with proceeds from the sale of tax-exempt obligations and (2) on loans that have been outstanding for less than five years. We consider these two provisions necessary to more fully protect the Federal Government's financial interests in granting loan prepayment discounts. A prohibition on financing prepayments with the proceeds of tax-exempt obligations would prevent an institution from reaping a double Federal subsidy--both an agreement on a discounted prepayment amount that effectively accelerates "capture" of the loan subsidy and a

Federal tax exemption on the financial instrument(s) used to raise the capital needed to secure that discounting. The prohibition on prepayment of recent loan issues would serve to discourage an institution from unnecessarily or even abusively applying for a loan in one year with the express intention of securing discounting in the near-term.

Question: Will the changes require legislative action, or will they be made under some type of discretionary authority?

Answer: Revision of the program's current fixed-rate prepayment discounting authority to a negotiable-rate authority would require legislative action.

Establishment of the prepayment discount prohibition on loans that have been outstanding for less than five years would also require legislative action since--under current law--discounts are restricted to pre-1976 loan issues (or, in other words, loans that have now been outstanding for nine years or more).

Establishment of the prepayment discount prohibition relative to the use of proceeds from the sale of tax-exempt obligations could be accomplished at executive discretion (as has been done through regulation for College Housing). Nonetheless, we have requested explicit statutory authority.

Accordingly, we have submitted the loan discounting proposals to the Congress--for a one-year authorization only--as part of our proposed "Higher Education Amendments of 1985."

Also, we have made longer-term proposals available to the authorizing committees through another legislative submission to the Congress. During the previous congressional session, we submitted and had introduced in the House of Representatives our proposed "Student Loan Collection Improvement Amendments" (H.R. 4503). Subsequently, we submitted--as an addition to this bill's provisions relative to collections on student loans--a proposal for a several-year extension of prepayment discounting for College Housing loans as well as establishment of a similar negotiable-rate discounting authority for academic facilities loans. These amendments were not introduced, however. Moreover, no similar overall debt collection bill was introduced in the Senate, and no further action was taken in the House.

During the current session of the Congress, what is essentially the same bill (with a few needed updates and other sorts of technical revisions, but not yet with our loan discounting amendments), has been introduced in the Senate (S. 491) and reintroduced in the House (H.R. 2150).

EDUCATION AND RESEARCH OVERSEAS (SPECIAL FOREIGN CURRENCY PROGRAM)

Question: The Education and Research Overseas program supports, solely with excess foreign currency, various Rehabilitation Research activities. Your justification notes that, "in some cases, these excess foreign currencies enable research to be conducted on problems which cannot be addressed directly or as well in the United States." Why? Please cite some examples.

Answer: In many instances, studies of comparative rehabilitation interventions cannot be done satisfactorily in the United States because services for all handicapped persons are provided according to accepted practices. In several countries, however, many handicapped persons receive no services at all, and various interventions can be provided to these persons and the results compared without putting the persons participating in the studies at risk. Handicapped individuals are at the same time provided quality services that would otherwise not be available to them. Protection of human subjects requirements are enforced in all such research.

Examples of these studies include: (1) an ongoing comparative study of the delivery of comprehensive rehabilitation services in India; and (2) a recently completed comparative study of the rehabilitation of workmen's compensation clients in Poland.

Question: In what ways does this program overlap with the Rehabilitation Services and Handicapped accounts?

Answer: This program does not overlap, but rather supports activities of the Rehabilitation Services and Handicapped Research account by providing research, training, and information related to rehabilitation and special education efforts.

Question: Is this the last year that any funds will be available for these programs under the excess foreign currency program?

Answer: Yes, it is anticipated that any remaining funds unobligated at the end of fiscal year 1985 will be returned to the Treasury, and no further activities will be supported with excess foreign currencies.

Question: Is there no further value to continuing such research and training activities relating to the delivery of services to handicapped persons?

Answer: We believe that there is much to be gained by continuing research and training activities related to the delivery of services to handicapped persons. Much of the future research and training in this area can be conducted through cooperative memoranda of understanding with various countries under the authority of Section 204(b)(5) of the Rehabilitation Act of 1973, as amended. Under such agreements, each country would pay the costs of its participation in the cooperative research or training ventures. Information systems are in place to coordinate these cooperative research and training programs.

Many countries now use a Joint Board or Bi-National Foundation in the operation of excess foreign currency programs. Such mechanisms now operate very well in Yugoslavia and Israel, and will again in Poland. Bi-National Foundations are presently being developed in India and Egypt, and are under serious consideration in Pakistan. The National Institute of Handicapped Research is the cognizant agency for rehabilitation research and training under the Joint Board and Bi-National Foundation concept. Since funds are reserved under these boards or foundations for rehabilitation research and training, and are available for mutually agreeable projects, no other excess foreign currency funds are needed in countries currently on the excess foreign currency list.

SUBCOMMITTEE RECESS

Senator PROXMIRE. This completes the hearings on the administration's proposals for the Department of Education for fiscal year 1986. We will stand in recess until tomorrow morning, April 25, at 9:30, when we will meet here in the same room to hear testimony from the following agencies: the Corporation for Public Broadcasting; Mine Safety and Health Review; the National Commission on Libraries and Information Science; and the National Council on the Handicapped.

The subcommittee stands in recess.

[Whereupon, at 11:55 a.m., Wednesday, April 24, the subcommittee was recessed, to reconvene at 9:30 a.m., Thursday, April 25.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

THURSDAY, APRIL 25, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:28 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Specter, Proxmire, and Burdick.

Also present: Senator Rockefeller.

ACTION

STATEMENT OF DONNA M. ALVARADO, DIRECTOR

ACCOMPANIED BY:
- BETTY BRAKE, DEPUTY DIRECTOR
- LOWELL B. GENEBACH, BUDGET OFFICER

INTRODUCTION OF ASSOCIATES

Senator WEICKER. The first related agency that we will hear testimony from this morning is the ACTION agency, and here to testify on behalf of ACTION is Ms. Donna Alvarado, the new Director. It is nice to have you here, Donna. Go ahead and introduce your colleagues and proceed as you wish.

Ms. ALVARADO. Mr. Chairman, I am pleased to introduce Mrs. Betty Brake, the Deputy Director, and Mr. Lowell Genebach, the Budget Officer. I am pleased to appear before you today as Director of ACTION to present the President's fiscal year 1986 budget for the agency.

ACTION is responsible for supporting the work of over 400,000 volunteers throughout the country, and we are requesting an appropriation of $147,550,000.

As you know, Mr. Chairman, ACTION is the national volunteer agency, and its programs result in people helping people. Young people learn early that as citizens in a free and democratic society, they have responsibilities to actively contribute to their communities. Older Americans are reassured that the knowledge and wisdom they have gained over a lifetime is still of benefit to society.

This past year, ACTION volunteers contributed over 350 million dollars' worth of services, but their worth far exceeds monetary calculations. The fiscal year 1986 ACTION budget calls for programmatic expenditures at or near current levels, while reducing support costs. Let me briefly review these programs with you.

PROGRAM PLANS FOR FISCAL YEAR 1986

The Retired Senior Volunteer Program [RSVP] will have approximately 365,000 volunteers, working through 755 RSVP projects, and contributing 68 million volunteer hours of service by the end of fiscal year 1985. In fiscal year 1986, we hope to expand these efforts by providing services to older homebound persons. The number of projects funded will remain the same, but the number of volunteers will increase to 378,000, with a corresponding increase in volunteer hours served.

The Foster Grandparent Program [FGP] expects 19,075 Foster Grandparents in 255 community-based projects to serve approximately 67,000 children with disabilities during fiscal year 1985. During fiscal year 1986, four new projects will be funded.

By September 30, 1985, 6,000 senior companions in 106 projects will serve 21,000 persons. In fiscal year 1986, we are projecting that 6,500 senior companions in 108 projects will help 23,000 older persons to achieve and maintain their highest degree of independent living.

During fiscal year 1986, volunteers in service to America [VISTA] will produce 2,200 volunteer service years in nearly 500 projects. The National Center for Service Learning will continue to offer training on service learning programs to neighborhood volunteer groups that seek to address issues of drug abuse and functional illiteracy through a series of workshops and conferences.

The Citizen Participation and Volunteer Demonstration Programs will award 8 State office of voluntary citizen participation grants, 17 minigrants, 2 Technical Assistance Program grants, and 25 Volunteer Demonstration Program grants in the areas of drug abuse prevention, runaways, literacy, and neighborhood development.

ENCOURAGEMENT OF VOLUNTEERS

Let me assure you, Mr. Chairman, and members of the committee that ACTION in fiscal year 1986 will continue to do all it can to lend its unique expertise to the promotion of volunteer activity. We believe, as President Reagan said, when he declared this week of April 22, 1985, National Volunteer Week, that the spirit of volunteerism and compassion for others is a vital part of our national character.

Finally, I wish to thank you and the committee for the opportunity to discuss the fiscal year 1986 ACTION budget request. As you know, I assumed my duties 3 days ago, and I am still very much in the learning phase with regard to specific ACTION programs and the policy decisions underlying the budget request for 1986. Consequently, I may have to submit some responses for the record.

PREPARED STATEMENT

I look forward to working with you, Mr. Chairman, and the committee, in making this the best year ever for ACTION and for promoting the spirit of volunteerism throughout the United States. I would ask that my full statement be entered in the record.

[The statement follows:]

STATEMENT OF DONNA M. ALVARADO

Mr. Chairman, I am pleased to appear before you today as the Director of ACTION, to present the President's Fiscal Year 1986 budget for the Agency. ACTION, which is responsible for supporting the work of over 400,000 volunteers throughout the country, is requesting an appropriation of $147,550,000.

ACTION is the national volunteer agency. Its programs result in people helping people. Through ACTION's volunteer programs, many Americans experience a sense of pride and accomplishment in addressing important human needs by assisting their neighbors and their communities. Young people learn early that as citizens in a free and democratic society, they have responsibilities to actively contribute to their communities. Older Americans are reassured that the knowledge and wisdom they have gained over a lifetime is still of benefit to society.

In the past year, ACTION volunteers contributed over $350 million worth of services to their neighbors and their communities. But that is a misleading calculation of the value of their contributions. Their worth far exceeds monetary calculations. ACTION volunteers prevent lifetimes of drug dependency and the indignities and economic deprivations associated with illiteracy. They enable many "at risk" elderly citizens to remain in their homes rather than accept institutionalization, and they help refugees establish new homes, find jobs, and become independent, self-sustaining members of American society. These and many similar services represent the contributions made by ACTION volunteers.

We also know from our own observations and from what others tell us that voluntarism on the part of some fosters voluntarism on the part of others. Matching efforts and matching contributions have become increasingly important in recent years. Taken together, these efforts are an irreplaceable aspect of the health and well-being of our society. This leads me to observe that while there is still room for innovation and improvement in the design and administration of ACTION programs, the $147,550,000 that the President is requesting this year to support the national government's voluntary initiatives returns benefits to our citizens and our country far in excess of the amount invested.

* * *

To turn to specifics, the Fiscal Year 1986 ACTION budget calls for programmatic expenditures at or near current levels, while reducing support costs. On the programmatic side, the Older American Volunteer Programs (OAVP), which serve the dual purpose of uniting the time and energy of mature, experienced, and skilled senior citizens with community and individual needs, will continue as ACTION's bellwether. Let me briefly review these programs with you.

The Retired Senior Volunteer Program (RSVP), which provides part-time, non-stipended volunteer opportunities to senior citizens aged 60 and over, will have approximately 365,000 volunteers, working through 755 RSVP projects, and contributing an estimated 68,000,000 volunteer hours of service by the end of fiscal year 1985. This fiscal year ACTION will expand the service opportunities for RSVPs through the development of additional volunteer placements in such areas as in-home care, youth counseling, literacy, crime prevention, consumer education, and drug abuse prevention. In FY 1986 we hope to expand on these efforts still further by developing more guidance and technical assistance to other agencies to expand the opportunities available to the elderly, and to continue to promote the placement of RSVP volunteers with Senior Companions in providing services to older homebound persons. While the number of projects funded will remain the same as in FY 1985, the number of volunteers will increase to approximately 378,500, with a corresponding increase in volunteer hours served.

The Foster Grandparent Program (FGP), providing stipends for low-income volunteers, aged 60 or over, who assist children with special or exceptional needs, expects 19,075 Foster Grandparents in 255 community-based projects (including non-ACTION funded volunteers and projects) to serve approximately 67,000 children during FY 1985. During FY 1986 four new projects will be funded.

The Senior Companion Program (SCP) offers stipended volunteer opportunities for low-income persons aged 60 and over to provide personal assistance for daily living activities to older persons with physical, mental, or emotional impairments. In FY 1985, allocations of state funds are estimated to be nearly $3 million to support SCP activities. By September 30, 1985, an estimated total of nearly 6000 Senior Companions in 106 projects (including non-ACTION funded volunteers and projects) will serve approximately 21,000 persons in 50 states, the District of Columbia, and Puerto Rico. Eighteen projects with approximately 900 volunteers are totally supported with non-ACTION funds. In FY 1986, we are projecting that more than 6500 Senior Companions in 108 projects (including non-ACTION funded volunteers and projects) will assist approximately 23,000 older persons to achieve and maintain their highest degree of independent living.

* * *

Turning to the Title I programs, during FY 1986, VISTA will produce 2200 volunteer service years in nearly 500 projects, continuing to focus on the functional areas highlighted in the program's authorizing legislation (illiteracy, unemployment, hunger, homelessness). These efforts will include expanding adult and youth literacy training, increasing projects which procure and distribute food to the hungry, fostering private sector involvement in job development and training programs for the unemployed, and assisting in the development of shelters for the homeless, runaways, and victims of family or child abuse.

In FY 1986, the National Center for Service Learning (NCSL) will continue to offer training seminars, workshops, regional forums, technical assistance materials, and expert consultation on service-learning programs.

The focus of activities in the Office of Volunteer Liaison and the demonstration grant program in the Office of Policy and Planning are expected to remain much as they have been in the past several years.

* * *

ACTION volunteers have proven again and again, that in many different ways the volunteer does make a difference, and may very well be America's greatest resource.

Let me assure the Committee that ACTION, in Fiscal Year 1986, will continue to do all that it can to lend its unique expertise to the promotion of volunteer activity. We believe, as President Reagan said when he declared the week of April 22, 1985, National Volunteer Week, that "The spirit of voluntarism and compassion for others is a vital part of our national character.

. . .Citizens from every walk of life volunteer their time, energy and resources to help those less fortunate than themselves. We can never fully measure the positive effects that each kind word or deed has upon this great and wonderful land of ours."

Finally, I wish to thank the Committee for the opportunity to discuss the Fiscal Year 1986 ACTION Budget request. As you know, I assumed my duties as Director three days ago and I am still very much in the learning phase with regard to specific ACTION programs and the policy decisions underlying the budget request. Consequently, I may have to submit some responses for the record. I look forward to working with you, Mr. Chairman, and the Committee in making this the best year ever for ACTION and for promoting the spirit of voluntarism throughout the United States.

Biography of Donna M. Alvarado

As Director of ACTION, the national volunteer agency, Donna M. Alvarado directs the activities of some 375,000 Americans who currently serve as volunteers in ACTION programs.

Alvarado was nominated as ACTION Director in February, 1985, and confirmed April 3, 1985.

Since 1983, Alvarado had served as Deputy Assistant Secretary of Defense for Equal Opportunity and Safety Policy in the Office of the Secretary of Defense.

From 1981 to 1983, she was counsel to the U.S. Senate Committee on the Judiciary, Subcommittee on Immigration and Refugee Policy. Alvarado served as assistant director of the Office of Policy Coordination, Office of the President-elect, 1980 to 1981, and was a research associate for the U.S. Select Commission on Immigration and Refugee Policy from 1980 to 1981.

Alvarado also served on the staff of the U.S. House of Representatives Select Committee on Narcotics Abuse and Control, and managed education programs for the Department of the Army at Fort Sill, Oklahoma.

Alvarado is a member of the President's Task Force on Legal Equity for Women and has served as executive vice president of the Mexican-American Women's National Association. She is also a member of the Republican National Hispanic Assembly and the American Society for Public Administration. She has been a consultant to the Hispanic Leadership Conference, The National Association of Counties and the National League of Cities.

The daughter of a career Air Force officer, Alvarado earned her M.A. and B.A. from Ohio State University in 1970 and 1969 respectively, and pursued doctoral studies in Latin American Literature at the University of Oklahoma.

BIOGRAPHY OF BETTY BRAKE

Betty Brake, of Oklahoma City, Oklahoma, was confirmed by the United States Senate on December 21, 1982, to serve as deputy director of ACTION, the national volunteer agency. ACTION programs, which involve more than 350,000 volunteers in service to their communities, include: the Foster Grandparent Program (FGP), the Senior Companion Program (SCP), the Retired Senior Volunteer Program (RSVP), Young Volunteers in ACTION (YVA), the ACTION Drug Prevention Program, Volunteers In Service To America (VISTA), the Office of Volunteer Liaison, and the National Center for Service Learning.

Mrs. Brake, a 64-year-old widow, served as deputy associate director of ACTION for the Older American Volunteer Programs in 1981 and 1982. In October, 1981, she was named executive director of The White House Conference on Aging by Richard S. Schweiker, then secretary of the Department of Health and Human Services. The national conference was held November 30 to December 3, 1981, in Washington, D.C.

Mrs. Brake volunteered much of her time and effort to community and political service over the years in Oklahoma City, where she has lived most of her life. A former member of the Oklahoma State Republican Committee and vice chairman of the Republican Party in Oklahoma County from 1967 to 1971, she was co-chairman and executive director of President Ronald Reagan's election committee in the state in both 1976 and 1980. She served as an assistant to the executive director of the Oklahoma Political Action Committee off and on for about five years during the 1970s.

Mrs. Brake received a bachelor's degree in English from the University of Oklahoma in Norman. The widow of Dr. Charles M. Brake, she has four children: Michael, 38, who works in public relations in Oklahoma City; Richard, 36, a nuclear physicist in Los Alamos, New Mexico; Deborah Downey, 28, and Peggy Chambers, 25, both of Oklahoma City. Mrs. Brake has four grandchildren.

BIOGRAPHY OF LOWELL B. GENEBACH, JR.

Lowell B. Genebach, Jr., is Director of ACTION's Budget Division, a position he has held since March 1982. In this capacity he supervises the formulation, justification, and presentation of the Agency's domestic program and support office budgets to the Office of Management and Budget and the Congress. He also oversees the internal budget planning and monitoring systems at ACTION.

Prior to assuming his present duties in the Budget Division, Genebach served as Director of ACTION's Management and Organization Division with responsibility for conducting management analysis studies throughout the Agency and aiding in the implementation of study recommendations. In his two years in this capacity Genebach was instrumental in the development of organizational alternatives designed to meet the Agency's changing program requirements and resources.

Following his graduation from the United States Military Academy (West Point) in June 1948, Genebach served on active duty with the Army Signal Corps until June 1956, when he accepted a position with United Steel and Wire Company in his hometown of Battle Creek, Michigan.

Genebach began his civilian career with the Federal Government in February 1960, as a Program Officer with the Office of Civil and Defense Mobilization. In September 1963, he joined the Defense Logistics Agency as a Program Analyst. Since then he has served with the Departments of Defense (Defense Communications Agency), Health, Education and Welfare (Social and Rehabilitation Service), and Justice (Immigration and Naturalization Service), and the Commodity Futures Trading Commission before joining ACTION in August, 1980. His expertise in the areas of budget, planning, evaluation, and information systems has resulted in his being a visiting lecturer on administrative and management systems and planning systems at the Office of Personnel Management.

In addition to his Bachelor of Science degree in military engineering from the U.S. Military Academy, Genebach holds a Master of Science degree in governmental administration from The George Washington University, awarded in 1969.

Genebach and his wife Eloise reside in Reston, Virginia. They have three children.

EFFECT OF PROPOSED RESCISSION ON VISTA

Senator WEICKER. You are proposing to rescind $150,000 in VISTA funding in fiscal year 1985. How will you support the required minimum level of 2,200 volunteers in fiscal year 1986?

Ms. ALVARADO. I would turn to our Budget Officer, Mr. Chairman, for the specifics.

Mr. GENEBACH. Mr. Chairman, the reduction will not come out of volunteer support. It will come out of other subitems such as evaluation, training and technical assistance, and so on. It will not affect the number of volunteer service years.

VISTA VOLUNTEER LEVEL IN FISCAL YEAR 1986

Senator WEICKER. You are required by law to support 2,400 VISTA volunteers in 1986.

Mr. GENEBACH. Yes, sir.

Senator WEICKER. Why are you proposing to support only 2,200 volunteers?

Ms. ALVARADO. Mr. Chairman, we are supporting the President's budget request which calls for a current funding level for all ACTION programs in 1986 in an effort to contribute to a reduction in Government spending. But I can assure you that we will efficiently carry out these programs at the level of appropriations which are enacted into law.

Senator WEICKER. Here we are talking about the 1985 reauthorization legislation requires that there be 2,400 volunteers in 1986. So we are not talking about a money amount which you have any control over, we are now talking the law.

Ms. ALVARADO. My understanding is that the law does authorize the 2,400 volunteer service years, and we are requesting the 2,200 as an effort to reduce spending. As I said, if the appropriations are enacted into law for a different amount, we will certainly carry out the law.

Senator WEICKER. Let me say this, because I realize that you have just taken over this position, I am expressing my concerns. I understand full well that these are not matters that you brought to their present state in the budget document, but I want to make clear where I stand on this.

Where they are matters of discretion, that is, in money, those matters to be resolved between the House, the Senate, and the President, I understand that and there is no argument. But where they are specific items of the law, that is, the number of volunteers, et cetera, I am not going to stand for any fudging around on that. If you are going to change that and change the law, that is not something that is something that is not done on this committee, it is done in the authorizing committee.

I am not going to dwell on this, but staff has indicated a question here that relates to the possibility that there is some political or ideological twist to some of the activities of VISTA volunteers, that is, in late 1984 or early 1985, an ACTION staff person urged 500 birthright chapters, an antiabortion organization, to apply for VISTA volunteers.

I just want to suggest to everybody that if I confirm that type of activity, there is going to be a hot time around this table. I would appreciate it if you would take a look at that. To me, the purpose of your agency relates to poverty, and helping those utilize the great volunteer services that we have, and I don't want to get into as to whether people are for or against abortion, or whatever.

Ms. Alvarado. I assure you, Mr. Chairman, that we will uphold the full spirit and letter of the law with regard to the VISTA Program.

Senator Weicker. Can you get me a comment back, for the record, or to the staff, on this business that is raised by this question? The question will be submitted to you in its entirety for the record for response.

Ms. Alvarado. Certainly.

[The information follows:]

VISTA PROJECT: BIRTHRIGHT OF BOSTON

ACTION grant information was sent to birthright organizations nationally in an unauthorized mailing by an ACTION employee, Myron McKee. Mr. McKee was sternly reprimanded, and ordered to repay the Government the sum spent in furtherance of the mailing.

On hearing of Mr. McKee's actions, the agency immediately notified all its regional and State offices that the mailings were not authorized, and that no special consideration was to be given to any proposals for VISTA support. We underscored that we intend to continue to follow scrupulously ACTION's policies and the regulations that govern it.

It is important to note that only one birthright organization has received VISTA support and that the project was approved last year long before Mr. McKee's unauthorized mailing. In our scrutiny of the work of the VISTA's, we had ample reason to believe that the women being served were poor. Since there has never been a formal income test in the hisotry of VISTA, we rely on the expertise of our staff and on the candor of sponsors to determine the economic status of the populations under consideration. Additionally, a review of the project's quarterly report reaffirmed its poverty focus. The birthright project aims, among other goals, at alleviating homelessness and unemployment.

VISTA volunteers at birthright provide medical, housing, and employment services to poor women who have made a decision to have their babies. As you are aware, VISTA's are strictly enjoined from taking part in any activities forbidden by regulation or law.

We are, of course, dedicated to ensuring that all VISTA projects remain free of inappropriate activities. As I testified at our appropriations hearing we will "uphold the full spirit and letter of the law with regard to the VISTA Program."

NATIONAL VISTA RECRUITMENT EFFORTS

Senator Weicker. The law specifically requires the Director of ACTION to make national efforts to attract other volunteers to serve in the VISTA Program. The Senate report accompanying the fiscal year 1985 appropriation bill directed the ACTION agency to undertake recruitment and public awareness efforts to provide the opportunity for persons from all walks of life, age groups, geographic areas, and economic levels to serve as VISTA volunteers.

Why isn't ACTION complying with the provision of the law requiring ACTION to make national efforts to attract volunteers to serve in the VISTA Program?

Ms. ALVARADO. Mr. Chairman, I would defer to Mr. Dan Bonner, our Associate Director for Domestic and Antipoverty Operations for a response.

Mr. BONNER. The agency is, indeed, aware of its responsibility to make national efforts to draw in VISTA volunteers. To that end, we have increased the budget for communications to produce brochures and other information materials to get the word out about the program specifically in reference to that point of the law.

Senator WEICKER. When did you start doing this?

Mr. BONNER. We began early this year, and we continue. We already have one new VISTA brochure.

Senator WEICKER. What do those national efforts consist of?

Mr. BONNER. So far, brochures that are being sent to the regional and State offices of the agency. They are being distributed to assist sponsors and potential sponsors in volunteer recruitment.

Senator WEICKER. Any television ads or radio ads?

Mr. BONNER. No, Senator, not yet. Our first need is to make sure that we serve the volunteers through preservice and inservice training, and that we meet the requirements of the law with respect to the number of service years. The budget has been thin for everything else. Nonetheless, we are making efforts.

FUNDING FOR RECRUITMENT ACTIVITIES

Senator WEICKER. How much do you have in this area altogether? How much of this $18 million is used in the efforts to attract volunteers?

Mr. BONNER. Thus far, $37,000.

Senator WEICKER. Don't you think you ought to expand that? I don't know what you can do with $37,000 in the United States.

Mr. BONNER. I heartily agree. We are up from $10,000 to $37,000, and we expect to increase this amount further. The difficulty is meeting the priority need, and that is to get the volunteers in the field in the required numbers and to give them the training they need.

Senator WEICKER. I am not arguing any of that. What we are arguing is the recruiting of the volunteers in the first instance.

Mr. BONNER. Correct.

Senator WEICKER. Nobody knows that the program even exists.

Mr. BONNER. I have heard that, sir. We are not pleased about it. We are making efforts to improve the situation.

Senator WEICKER. I don't think you are going to do it on $37,000 in the budget.

The account number insofar as communications is concerned that is in the overall VISTA budget, is that right?

Mr. BONNER. Yes, sir.

Senator WEICKER. The $18 million figure, the activity, in other words, comes under that figure.

The problem that we have here is that the law mandates that this be done. Apparently, we have report language in the Senate 1985 report on this matter, and obviously nobody is paying any attention to it.

Mr. BONNER. I respectfully disagree with that, Senator. The amount is low, but we have been making efforts to increase it. The effort is slow, but we have every intention of making sure that that requirement is fulfilled with alacrity.

Senator WEICKER. Again, you have a new Director, and I have a feeling that she is someone who is going to be a very good Director. By any standards, obviously, you are not going to advertise anything to the United States on $37,000. Clearly in this volunteer program, the key investment that we make is the quality of the people that we get in, that we attract into this volunteer effort. If nobody knows about the program, they are not going to join it.

Ms. ALVARADO. Senator, I will look into that, and I will be pleased to get back to you and give you further details on it.

Senator WEICKER. I really don't see any point, in addition to what the law requires in this area, and the report language. Either you are going to do it or you aren't going to do it. I don't know how else we can impress the point on you.

Ms. ALVARADO. Certainly, if it is the law, we will do it. As I said, I am going to look into what the particular plans are in that regard.

Senator WEICKER. Why don't you get back in touch with us sometime in the next month and let us know exactly what you foresee in this area, after you get your feet on the ground.

Ms. ALVARADO. Certainly.

[The information follows:]

VISTA RECRUITMENT AND PUBLIC AWARENESS

ACTION has undertaken recruitment and public awareness efforts to provide opportunities for persons from all walks of life, age groups, geographic areas, and economic levels to serve as VISTA volunteers.

Two basic facts have had a major impact on the formulation of our overall recruitment and public awareness campaign: (1) the overwhelming support of the VISTA sponsors for local recruitment and VISTA volunteers; and (2) the limited funds available to support a required number of volunteer service years.

We have structured our recruitment efforts to reflect the sponsors' desire for retaining local-sponsor-based volunteer recruting by:

(1) Developing a recruiting manual for VISTA sponsors to be distributed this summer. We estimate this will cost $4,625.

(2) Ensuring that all VISTA supervisors' regional conferences dedicate one training session to recruiting VISTA volunteers.

(3) Initiating the design and subsequent printing of a new VISTA poster and brochure. Rather than a "What is VISTA" type brochure, this will be a recruiting brochure with in-depth service information, and will cost $64,500.

(4) Planning the development of a recruiting manual for ACTION State offices, including instructions for recruiting with sponsors on college campuses, conducting a recruiting drive for several area sponsors, et cetera.

(5) Establishing standard procedures to be used by ACTION regional and State offices to act as a clearinghouse for interested VISTA applicants.

We are confident that these efforts will enable VISTA sponsors to retain recruiting authority, while giving them additional knowledge and skills to direct their recruiting efforts to a larger segment of the community.

Our public awareness efforts already focus on supporting individual sponsors' PR plans, to result in increased community awareness and, therefore, additional recruiting capability To this end, we are issuing a publication, "The ABC's of Publicity." It will be sent to all sponsors this summer and will give them practical advice and suggestions on getting their stories told in the local media. The manual will include sample press releases, stories, classified ads, and PSA's and will cost us $4,625. Additionally, our public information officers have been conducting public relations training sessions at the regional conferences and are available to provide any PR assistance the sponsors may need.

Mr. Chairman, we are committed to making VISTA service available to persons from all walks of life, age groups, geographic areas, and economic levels. Although a more detailed breakdown will be available following our evaluation, we do know the following about our volunteers:

(1) We have VISTA volunteers serving in all 50 States and Puerto Rico, in urban (approximately 65 percent) and rural (approximately 35 percent) locations.

(2) Approximately one-third of our volunteers are low income.

(3) We have both men and women serving as volunteers; about 3-1 women at this time.

(4) Age breakdown: 18 to 25, 404; 26 to 34, 537; 35 to 49; 694; and 50 and over, 603.

In closing, we are looking into the possibility of developing a PSA later this fiscal year or early next. Before we commit a large amount of scarce VISTA support dollars to this effort (approximately $75,000) we want to ensure it will be an effective means of enhancing our sponsors' recruiting efforts and will be responsive to their identified recruiting needs. We will keep you informed.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have other questions for response to the record, otherwise I wish you good luck in your endeavors.

Ms. ALVARADO. Thank you.

Senator WEICKER. The activities of this group, as I said, both in the volunteer sense and those that they touch upon, are of enormous importance, and I think that somebody like yourself, who has a solid background in Government service, and in addition has a good heart, you should do well.

Ms. ALVARADO. Thank you, Mr. Chairman. I look forward to working with you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: Your budget request indicates an increase of 13,500 Retired Senior Volunteers. You are not requesting additional funds to support those volunteers.

How do you plan to increase the number of volunteers without increased funding?

Answer: The FY 86 RSVP grant request is $10 thousand more, not less, than estimated FY 85 grant obligations. Increased non-ACTION funding and increased operational effectiveness by RSVP projects help make possible annual increases in the number of RSVP volunteers.

Question: In the FY 1985 Senate Report the agency was directed to fill all of the vacant State Director positions.

How many have been filled and when do you plan to fill the rest?

Answer: There have been 7 State Program Director positions filled on a permanent career basis in the past year. Currently, there are 5 vacant State Director positions.

Two of these positions will be filled during FY 1985; the other three positions will be filled as soon as conditions permit in FY 1986.

Question: The Prospective Payment system for hospitals has created pressure for earlier patient discharges.

Have you seen an increase in demand for senior volunteers to assist in caring for these patients?

Answer: RSVP project directors report increased demand for friendly visiting and, in-home escort services for shopping and doctors visits which is attributed, in part, to the early discharge of MEDICARE eligible patients from acute care hospitals.

SCP project directors report an increase in the number of volunteers assigned to Acute Care Hospital Volunteer Stations. Under this model, Senior Companions are paired with clients scheduled for discharge to their own homes or intermediary protective care settings. The recent phenomenon of older persons discharged from hospitals earlier in the recovery process than before has made the option of discharge placements with Senior Companions a more frequent occurence.

A recent study of the SCP project in Decatur, Alabama shows that in two hospitals where Companions are assigned to social service/discharge planning units, the rate of hospital re-admissions among clients with Senior Companions is significantly less than before. This suggests Senior Companions have an impact on the "revolving door" problem of "at risk" older persons moving in and out of hospitals because of inadequate in-home community support services.

Question: Do you think that the funding for the Senior Companion Program should be increased to provide additional volunteers to meet the needs of the patients that have been discharged early?

Answer: We anticipate that the number of Senior Companions serving persons being discharged from hospitals with conditions requiring in-home services will increase. In FY 1985, approximately $3 million will be used to implement the homebound elderly provisions. Acute care discharge is one of the six program emphasis areas for this effort. With the current SCP budget, we expect that, as volunteer stations and Senior Companions leave the projects, the newly recruited Companion will be assigned to a program emphasis area, which includes acute care hospital discharge.

Question: In response to the Deficit Reduction Act, you are proposing an FY 1985 rescission of $149,000 and an FY 1986 reduction of $1.8 million in Program Support funding. How will you provide technical training, program monitoring and program support if we agree to these funding levels?

Answer: We will attempt, in so far as the resources will allow us, to achieve the levels of technical assistance, monitoring, and other program support consistent with sound management practice.

Question: I understand that your reauthorizing legislation requires that you fully fund the VISTA volunteers even at the expense of other Title I programs.

Is this correct?

Answer: Yes, that is correct.

Question: There is no indication in your budget justification that you plan to transfer funds to VISTA from other programs as prescribed by law.

Do you plan to comply with the requirements of this legislation?

If so, won't this hurt the Service Learning and Special Volunteer programs?

Answer: Yes, we intend to fully comply with the terms of this legislation, or any amendments thereto which are passed by the Congress and enacted into law.

Under the ACTION budget submission and under current law, it would be required that funds be transferred from Parts B and C to Part A, which would effectively eliminate the Service Learning and Special Volunteer programs.

Question: Why are you proposing to reduce the number of full-time equivalent positions by 14 in FY 1986 when this Committee directed you to maintain 525 full-time equivalents in FY 1985?

Answer: We are working toward the goal of 525 full-time equivalent workyears which you directed us to achieve this fiscal year. The reduction for FY 1986 is the Agency's method for achieving our OMB employment ceiling in that year.

Question: How will this loss of positions affect your new training programs and volunteer promotion efforts?

Answer: We will achieve the planned reduction through our on-going assessment of staffing requirements, and we will make every effort to assure that the positions which are lost in this process will have no adverse effect on the achievement of the agency's mission or on the quality of our activities.

Question: What steps are you taking to assure that the total number of Schedule C employees, temporary employees and consultants does not exceed the percentage permitted by law?

Answer: ACTION has been aware of the 8.5% cap on Schedule C, temporary employees grade 8 and above, and consultants, since passage of the agency re-authorization. We have taken steps, through attrition, to reduce this group below the cap. A mid-April report indicates that the agency is currently in compliance with the law.

Question: Which administrative task do you feel can be performed more efficiently and cost effectively by consultants than by in-home staff?

Answer: Consultants are often more useful than other categories of employees for specially identified, short term projects. They can bring their specific expertise to bear on a problem, solve it, and then leave the payroll. Neither career nor other non-career categories of employees offer the particular advantages of consultants for short term projects i.e., consultants do not have the possibility of long term employment. The category of employee ACTION hires is determined by the need identified and the position description developed to satisfy that need. Administrative tasks are not normally those of a short-term limited nature requiring a consultant, but could be depending on a case by case examination of the need and position description developed, and the program support funds available.

Question: How does the average VISTA monthly living allowance compare to the most recent poverty index figures? Is the VISTA monthly living allowance at, above or below the official poverty guideline figure?

Answer: The average monthly living allowance is $424, or 5,088 per year, before taxes. The current official poverty guideline figure is $5,280. The VISTA monthly living allowance, taken by itself, is below the official poverty guideline figure.

Is is worth noting that in addition, terminating volunteers receive an end-of-service allowance based on $75.00 per month of service or $900 per year.

Volunteers also receive an annual leave allowance of $70.00 and the Agency's cost for health benefits for volunteers averaged about $520 per volunteer in FY 84, and will be over $600 per volunteer in FY 85.

Question: Both the authorizing and appropriations committees have expressed interest in increasing the number of VISTA projects and volunteers addressing problems associated with hunger and homelessaness.

How many volunteers and projects are currently working in these areas?

How many are anticipated in FY 1986?

Answer: As of March 31, 1985, there were 429 VISTA Volunteers (19% of volunteers) on 107 projects (23% of all projects) addressing the needs of the hungry; 239 VISTA Volunteers (10% of volunteers) assigned to 53 projects (11% of all projects) serving the homeless. We anticipate that the percentage of hunger projects will remain about the same in FY 1986, while there may be a small increase in the percentage of homeless projects.

Question: I understand that the VISTA program has not been evaluated since the 1970's. Is that correct?

Answer: The last evaluation of VISTA was a survey of VISTA volunteer activities and perceived outcomes. It was conducted and the final report was released in FY 1981, with two copies provided to the Congressional Research Service, Library of Congress.

Question: In FY 1985 you began an evaluation of VISTAs goals, accomplishments and community impact. Now you are proposing to rescind $60,000 of the $100,000 earmarked for that evaluation. When do you plan to complete the evaluation?

Answer: The planned completion date is September, 1987. A reduction of $60,000 does not change the date.

Question: What is the status of the three Foster Grandparent Projects initiated with Head Start monies? Will ACTION discontinue these programs if sponsors are unable to raise local funding?

Is there sufficient funding in your FY 86 request for the FGP to continue these projects if Congress requires you to do so?

How much money will be required to continue these programs?

Answer: Near the end of FY 84, the Department of Health and Human Services (DHHS) discontinued its funding of the FGP Head Start components. According to DHHS, funds needed to continue its participation in this special programming effort were no longer available.

In the desire to continue what has proved to be a valuable service to Head Start children, ACTION utilized available program funds to continue volunteer services until the end of FY 85. At the end of this period, the Head Start component will be phased out unless other sources of funding are found to support volunteers beyond the current fiscal year.

The Head Start initiative was established as components of existing FGP projects, not as independent grants.

The three FGP projects that participated in this special effort are located in Soquel, California; Atlanta, Georgia; and Madison, Wisconsin.

The three FGP/Head Start components have recruited a combined total of 70 volunteers serving between two to three special needs children each, in 26 Head Start sites.

Each FGP Head Start component is funded at $55,400 per year, or a total of $166,200 for the three components.

Funding for the FGP Head Start components is not included in our FY 86 request.

Question: What is the status of the new home health training program authorized under the Senior Companion Program as part of the 1984 Reauthorization (PL 98-288)?

Answer: On March 29 the Director signed a Notice of Availability of Funds for the FEDERAL REGISTER. The notice describes how $3,000,000 will be spent by ACTION for new components and new projects in FY 1985. Applications for these new funds are to be completed and received by the appropriate ACTION state office by Monday, June 3, 1985. ACTION will select the best applications and award grants to them in the fourth quarter.

Question: How many projects will be supported by the FY 1985 Appropriation of $3 million?

Answer: New projects will range from 30 to 60 volunteer service years and new components will be awarded for 10 or more volunteer service years. We expect to fund 30 to 46 new projects and components.

Question: When will FY 1985 funds be obligated and used by projects?

Answer: We will award all grants for new projects and components in the fourth quarter of FY 85.

Question: How are the "In-home health care" projects being coordinated with existing home care services? How are the projects assuring that services provided by Senior Companion volunteers do not duplicate existing needs such as those provided by Visiting Nurse Associations and other providers?

Answer: Approximately 73 per cent of the 5,000 Senior Companions provide in-home services to the homebound elderly. All assignments are coordinated through licensed health and social service provider organizations. Senior Companions complement, rather than serve as a substitute for, para-professional services provided by homemakers/home health aides. Companions concentrate on the development of quality personal support relationships encompassing a variety of peer support services. This is particularly important to the socially isolated "at-risk" frail elderly, who lack close support from family and friends.

Duplication of home health services given by licensed providers is avoided by integrating Senior Companion activities into client care plans that establish individual goals and activities for each individual Companion/client relationship. This is intended to avoid duplication of services provided by formal health care providers such as the Visiting Nurses Association and proprietary home health agencies. In 1984, 73 per cent of all Senior Companions operated through client care plans.

Question: I understand that the Agency is required to make two project site visits per project per year.

Has the Agency met this requirement in the past fiscal year?

Is your program operation budget sufficient to meet the requirement in FY 1986?

How much more funding would be necessary to enable you to meet this requirement?

Answer: The Agency has not met this requirement in the past year, and the FY 86 budget plan is insufficient for two project site visits per year. To meet this requirement, an additional $245,000 would be needed.

Question: You are requesting $24.1 million for program support. Is that amount sufficient if all field offices were kept open, all Directorships filled, 525 full-time equivalent (FTE's) maintained, and appropriate project monitoring done as required?

Answer: The amount contained in our FY 1986 request for program administration will not be sufficient to cover all the contingencies you mention.

Question: If not, how much more funding would be required?

Answer: When we were asked by the Ranking Minority Member of the House Appropriations Subcommittee whether $24.1 million or $25.8 million would be sufficient to cover these requirements, we had to tell him neither of those figures would be sufficient. When he asked if $28.0 million would provide sufficient funding for all of these activities, we told him we felt certain that would be sufficient.

Question: In FY 1984 Congress provided a supplemental appropriation to resolve a problem caused by "short cycling of program grants".

Do you anticipate any short cycling for 1985 project grants?

Answer: No, we anticipate no short cycling for 1985 project grants.

Question: You have indicated that a rescission of $270,000 in the Senior Companion Program will be taken out of on-going program evaluations. What on-going evaluations will be affected, and how?

Answer: For the Senior Companion Program, only the evaluation of the SCP Homebound Elderly program component is being conducted in FY 1985 through FY 1987. The rescission request would have had no negative affect on this evaluation work which is mandated by law. The FY 1986 budget line item request for SCP evaluations has been increased proportionately to allow for the evaluation work to continue without disruption.

Question: Of the $3 million appropriated for the new home health training program, how much is being set aside for evaluation purposes? What is the estimate of the total amount needed for evaluation purposes over the three year evaluation period required under law? When will the evaluation contract be awarded.

Answer: In the Federal Register Notice of April 4, 1985, ACTION said that approximately

$900,000 will be allocated for evaluations and for new demonstration projects selected through a national competition. Various evaluation designs are under consideration for measuring the five areas outlined in Public Law 98-288. Once the designed is completed, ACTION will be able to determine how much money will be needed to do the evaluation over the three year period. ACTION plans to complete this process and write the Request for Proposals (RFP) for a contract in FY 1985.

Question: The Committee Report stated that a portion of the FY 1985 increase in appropriations was to be used to bring current Older American Volunteer Programs to a "current services level before initiating new projects".

Your agency's response is that "all OAVP projects were brought up to a current services level with the FY 1984 supplemental appropriation received in September of 1984".

Are you referring to the supplemental appropriation that was provided to stop the short funding--or "recycling" of OAVP grants?

How do you define "current services levels"?

Answer: Yes, we are referring to the supplemental appropriations. We define "current services levels" as the annualized or 12-month cost of the projects.

Question: How many existing OAVP projects received additional funding as a result of the funding increases provided in the FY 1985 bill?

a) What percentage of the total number of projects does this represent?

b) As an example, can you tell me how many OAVP projects in Connecticut received grant supplements, or are slated to receive grant supplements, as a result of the FY 1985 increases?

Answer: Approximately $6.6 million is available in FY '85 to finance the increase in the stipend from $2.00 to $2.20 per hour for Foster Grandparents and Senior Companions. Approximately $720,000 will be used to finance the stipend increase for non-ACTION funded volunteers. All ACTION funded projects have received monies for the stipend increase and funds were made available to all non-ACTION funded FGP/SCP projects.

Funding for project expansion will occur in the fourth quarter. For Foster Grandparents, half the money available, or about $450,000, will be used for project expansion. The amount awarded will vary from project to project; we cannot estimate at this time the percentage of the total number of projects that will receive expansion funds.

The Senior Companion Program will use about $600,000, or more than 20% of available funds, to implement the homebound elderly provisions in existing SCP projects. A maximum of eighteen (18) current projects will receive expansion funds.

About $900,000, or 50% of available funds, will be awarded to existing RSVP Projects. The number of grants augmented will be determined by the dollar amount of the approved project budgets. This information will not be available until the fourth quarter.

b) Until the awards are made in the fourth quarter, we cannot report how many grant supplements or new grants will be awarded in Connecticut in RSVP and SCP. The Foster Grandparent Program grant supplements and new awards will be confined to regions IV and VI because of the Agency's Resource Allocation Formula.

Question: What do you think is the purpose of having a federal agency on voluntarism?

Answer: The goals and purpose of ACTION are the same as when the Agency was created in 1971, to advocate, promote, and support the efforts of individuals and organizations to meet and solve problems through volunteer services and to stimulate the expansion of opportunities for Americans of all ages to participate in meaningful voluntary activities. ACTION 's special emphasis is on helping alleviate the problems of the poor, the handicapped, and the elderly through full-time or part-time voluntary services.

We believe that having a Federal Agency to promote these worthwhile efforts is a wise use of Federal dollars.

President Reagan believes that America will never achieve her full potential until the values of individual initiative, self-reliance, and a sense of community are restored to their rightful place in American society. ACTION has a major role to play in that restoration.

Question: Do you consider ACTION's programs cost effective?

Answer: Yes, the best estimate of the value of services contributed by ACTION volunteers suggests that it is about three times the total ACTION budget. That's an impressive figure, but the truth is that it would be difficult to purchase the loving care given by ACTION's Older American Volunteers in the marketplace. Likewise, the concern shown by the grass-roots movement of parents and children to prevent the use of illegal drugs cannot be measured in monetary terms. It is the sense of caring and commitment by the ACTION volunteers that makes these programs so cost-effective.

Question: What initiatives do you have planned?

Answer: I am in the process of reviewing options for new initiatives. During the next few months I will undertake a comprehensive review of the existing initiatives and evaluate the results.

Question: Is the present pay raise supplemental appropriation needed? What will be the effect, if any, if the supplemental is denied to the Agency?

Answer: The supplemental appropriation is very much needed. ACTION has not received a pay raise supplemental since September 1982, and since that time the program administration appropriation has remained level or has been somewhat reduced despite rising costs in such areas as salaries, benefits, building and other rents, etc. Exacerbating the situation are Congressional directives to maintain a higher level of employment, increase project monitoring and retain the existing field organization. Thus, ACTION finds it increasingly difficult even to approach, much less achieve, these Congressional expectations.

Without the supplemental, severe restrictions will have to be applied to all discretionary areas, e.g., travel, printing, supplies, etc., in order to avoid either an antideficiency violation or a furlough. The result will be a further deterioration in the level of program administration activities.

Question: What is the urban/rural distribution of Part C Demonstration projects and what impact do they have on rural youth?

Answer: ACTION has funded demonstration projects in urban, suburban and rural areas. Many grantees serve diverse populations and are national and statewide in scope. For the purpose of this response, rural is defined as those municipalities or areas with concentrations of less than 50,000 persons.

ACTION's Demonstration Grants enable two national literacy organizations to provide expert technical assistance to local volunteer organizations throughout America. The use of resource material designed by Laubach International and Literacy Volunteers of America will increase their capability to expand literacy classes in rural areas by reducing the expense of program development and management and the need for on-site instructors to train volunteers.

The ACTION Drug Prevention Program funded two natiowide resource centers and twenty-two statewide networks of parent groups. Many, such as Kentucky, Nebraska, Kansas, New

Hampshire, New Mexico, and Tennessee have a distinctly rural focus.

Runaway youth is a national problem that includes rural youth. This aspect of the problem is obscured because youth tend to run to urban areas. The ACTION grant to the National Youth Work Alliance supported its efforts to increase services to runaway youth through the more effective use of volunteers. The grant to Covenant House in New York allowed it to replicate its model in Florida and Texas to provide on-going technical assistance to runaway shelters throughout the country.

The Big Brother/Big Sister High School program in South Dakota and Arizona involve Senior High School students who provide one-to one tutoring and a close relationship to "at risk" grammar school students. This will test rural applications of a model succcessfully developed for urban/suburban areas.

Question: What are the major accomplishments in the area of Drug Use Prevention?

Answer: ACTION initiated the Drug Prevention Program by co-sponsoring the first White House Briefing on Drug Use and the Family in March of 1982. As a result of the event, hosted by Mrs. Reagan, many of the more than 200 corporate and organizational leaders who attended the briefing launched drug prevention efforts.

Since the briefing, ACTION has vigorously pursued its partnership with Mrs. Reagan and leaders of the private sector to support national, state, and local efforts to enlist volunteers in the fight against illegal drug use. Among the areas where ACTION's Drug Prevention Program has been successful are:

Demonstration grants to two national resource centers enabled the Parent Resource Institute for Drug Education (PRIDE) and Families in Action to expand their capability to offer technical assistance and up-to-date resource materials to parent groups and other public and private organizations. PRIDE operates a toll-free telephone number and is developing a national teenage organization. In 1984, PRIDE co-hosted an international conference on illegal drug use. This year Mrs. Reagan and more than twenty first ladies from around the world attended the conference.

ACTION enlisted the assistance of Mrs. Reagan and many Hollywood celebrities including Brooke Shields, Mr. T. and Gremlin's producer Stephen Spielberg to participate as volunteers in creating a series of public service announcements, one of which won the "International Broadcasters Award", that are being run on network and cable television. Other celebrities, including Jill Whelan, Gavin McLeod, Tracey Ross, Melissa Gilbert, and Michael Landon, are giving of their time and talent to make personal appearances on behalf of the ACTION Drug Prevention Program.

ACTION's technical assistance to corporate leaders included the design and consultation with MacNeil Pharmaceuticals that led to its "Pharmacists Against Drug Abuse" campaign. The pharmacists have distributed more than 20 million brochures on illegal drug use prevention through almost 65,000 local pharmacies. ACTION's consultation with the Benevolent Protective Order of Elks resulted in their first national philanthropic campaign "Elks on the Move for Drug Free Youth".

ACTION mounted a major national effort to support local volunteer activities. Demonstration grants resulted in the formation or expansion of twenty-two state-wide volunteer networks that involve parents, their children, and their communities in combatting the illegal use of drugs.

ACTION's support of the Archdiocese of New York's Drug/Alcohol/Rehabilitation/Education (DARE) project resulted in the development of a comprehensive, community-based, prevention, education, and early intervention model that is being replicated in Miami by DARE and by other organizations in several states.

Question: To what extent has ACTION been able to involve the private sector in its Drug Prevention Program?

Answer: The ACTION Drug Prevention Program has many excellent examples of public/private partnership, which have been so successful that the State Department is encouraging a Latin American Initiative using some of ACTION's programs as models.

ACTION co-sponsored the first White House Briefing on Drug Use and the Family in March of 1982. As a result of the event, hosted by Mrs. Reagan, many of the more than 200 corporate and organizational leaders who attended the briefing initiated drug prevention efforts.

McNeil Pharmaceutical's "Pharmacists Against Drug Abuse" program is a direct result of the White House Briefing. ACTION designed and assisted in the implementation of the program to enlist 65,000 pharmacies in the distribution of over 20 million brochures. The materials also have been translated into Spanish and distributed in Hispanic communities.

ACTION designed and assisted in the implementation of the Benevolent Protective Order of Elks' first national philanthropic campaign, "Elks on the Move for Drug Free Youth". ACTION's total financial involvement in this quarter of a million dollar campaign was limited to technical assistance and travel to conduct regional training seminars.

ACTION technical assistance to the General Federation of Women's Clubs enabled it to implement a nation-wide drug prevention program that works against drunk and drugged driving. Similar assistance was provided to other organizations such as the American Medical Association Auxiliary and the Encyclopedia Brittanica. ACTION seeks out and is prepared to support other national organizations that are interested in joining these new efforts to prevent illegal drug use.

ACTION's media campaign this year consists of nine public service announcements (PSA's), one of which will receive the "International Broadcasters' Award". The PSAs were written, produced and disseminated by ACTION through hundreds of volunteers. The PSAs involved Mrs. Reagan and some of Hollowood's best known celebrities, all of whom volunteered their time. The producer and the crew also donated their services toward this million dollar initiative.

ACTION has enlisted celebrities Gavin McLeod, Jill Whelan, Michael Landon, Melissa Gilbert, and Tracey Ross in its drug prevention efforts. These celebrities volunteered their time and talent.

Question: What are the major accomplishments in the area of runaway youth as a result of Title I, Part C, Demonstration Program funds?

Answer: ACTION Demonstration Program funds for runaway youth has increased volunteer participation and provided technical assistance for the replication of a shelter model to organizations in two other geographic locations.

ACTION financial support of the National Youth Work Alliance (NYWA) enabled it to update the National Directory of Runaway Shelters. The Directory was published and distributed to more than 300 runaway shelters. NYWA trained runaway shelter personnel in the effective use of volunteers.

The Demonstration Grant to Covenant House in New York supported technical assistance to over 300 individuals and organizations, and the development of technical assistance materials for runaway youth programs. Its successful "Under 21" runaway shelter program was replicated in Houston, Texas. The Texas program is primarily funded from local contributions. Another shelter is scheduled to open in Fort Lauderdale in May of 1985. The program benefits the especially difficult-to-place runaway and homeless youth under the age of 21.

Question: What are the major accomplishments in the area of refugee resettlement and support as a result of Title I, Part C, Demonstration Program funds?

Answer: ACTION, through interagency agreements with the Department of Labor and the Department of Health and Human Services, has supported Save Cambodia, Inc. The grantee successfully mobilized volunteers to provide job placement and counseling services to Cambodia refugees in the Philadelphia and the Washington, D.C. metropolitan area. Save Cambodia, now solely funded by ACTION, has shifted its focus to include crisis intervention.

Other ACTION grantees, specifically the Loyola Foundation in Miami and the Hispanic Social Services in the South Bronx, currently mobilize community volunteers to provide education and job placement for Cuban and Haitian refugees.

The grant to Lutheran Social Services supports development of a Refugee/Entrant Day Care demonsration program in Florida. The program draws on volunteer resources to recruit and train refugee/entrant women who supplement their income by managing licensed home day care program for pre-school refugee children.

Question: What are the major accomplishements in the area of literacy as a result of the use of Title I, Part C, Demonstration Volunteer Program grants?

Answer: The thrust of ACTION's literacy program has been to expand the capability of literacy organizations to train and manage volunteers and in addition, to developing and testing methodology. ACTION has encouraged private and civic organizations to increase their support for, and participation in, community literacy programs.

ACTION's Title I, Part C grants enable two national literacy organizations to offer technical assistance to local volunteer organizations throughout America. The expense of program development and training at the local level is reduced by the use of resource materials designed by Laubach International and Literacy Volunteers of America.

The Laubach International and Literacy Volunteers of America (LVA) project, jointly funded by ACTION and B. Dalton Bookseller, has developed and is field testing a management training system for literacy projects.

The ACTION grant to Literacy Volunteers of America supports the creation of two segments of a six-segment training video for volunteer literacy instructors. A foundation and a corporation have funded the other segments. The video will allow LVA to train volunteers in more communities, in more remote areas, and lower cost, by eliminating the need for on-site instructors.

The Assalut on Literacy Program (AOLP), using ACTION funds, established sufficient credibility to attract financial support from several major corporations to continue the project. AOLP has held more than a dozen conferences to stimulate religious institutions, fraternal organizations, and other institutions to initiate volunteer literacy programs.

Question: What did the Vietnam Veterans Leadership Program (VVLP) accomplish?

Answer: From its inception in September, 1981, through September 30, 1984, VVLP funded 47 non-profit corporations in 41 states. More than 1000 successful Vietnam vets served as unpaid volunteers, and almost 6000 volunteers served on special projects to meet VVLP objectives. During this time, approximately 2950 Vietnam vets were placed in jobs, over 22,000 vets were counseled on employment matters, about 11,000 vets were referred to other agencies for help and to employers for job interviews, and roughly 5500 job leads were developed.

In addition to these significant accomplishments, VVLP provided other less tangible benefits. VVLP assisted the vets in establishing a positive image based on their accomplishments as solid reliable citizens, gave visibility to their leadership abilities in non-wartime situations, and has helped set the example of what the Vietnam vets are doing for future generations.

Many VVLP programs are continuing to operate very successfully without government funding. Others will lose their government funding in the next few months, and are currently making the transition to the private sector. ACTION is confident that both individual vets and the country will continue to reap the benefits of VVLP far into the future.

Question: Do you favor the transfer of OAVP to the Administration on Aging?

Answer: The emphasis in the Older American Volunteer Program, as per our legislative mandate, continues to be to provide Older Americans with opportunities for volunteer service. Thus, older adults are service providers who contribute to the general welfare of their communities.

The Administration on Aging focuses on the problems of the elderly. This difference coupled with the benefits that are experienced by the projects through working with a small agency like ACTION causes us to support retaining the OAVP programs in ACTION.

Question: In the Fiscal 1985 House Bill, funding increases were provided for each of the Older American Volunteer Programs, with report language indicating that at least 50% of the additional funds provided should be allocated to existing program sites.

Please provide for the record a state-by-state breakdown for each of the three OAVPs, showing the amounts of new funding which went to existing programs and the amounts allocated to start new projects.

Answer: No new awards have been made yet. Grant applications will be received in the third quarter and awards made in the fourth quarter. A state-by-state breakdown will not be available until that time. Grants will be allocated on a basis of 50% for existing projects and 50% for new projects.

Question: With regard to the new monies, please provide for the record an accounting of how many existing Foster Grandparent, Senior Companion, and RSVP projects received program funding increases, and an indication of what was average size of the grant supplement, as well as the percentage of the FY 85 increase that went to existing projects.

Answer: Final decisions on the grant awards will be made in the fourth quarter of FY 1985. The requested data will be available as soon as the decisions have been made, 50% of the additional funds will go to existing projects.

Question: With regard to the stipend increase provided for in FY 1985 for non-ACTION supported Foster Grandparents and Senior Companions: What was the total amount required to fund the stipend increase for these volunteers in Fiscal Year 1985?

Answer: The estimated total amount needed in FY 85 for the FGP/SCP stipend increase is $6.6 million.

Question: What is the total amount expected to be needed for these volunteers in FY 86 in order to ensure that no volunteers are dropped from the programs in order to free up funds for the stipend increase required?

Answer The estimated FY 86 cost of the stipend increase is $4.8 million.

Question: Please provide for the record a project-by-project breakdown of those program sites that will require Federal support in FY 86 to meet the stipend increase requirements for non-ACTION supported volunteers.

Answer As of this date, it appears that one sponsor, the State of Michigan, may need stipend money in FY 86.

Question: To date, in FY 85 how many Part C grants have been made?

Answer: For FY 85, 64 Part C grants have been awarded.

Question: How much ACTION money has been spent on Part C grants?

Answer: In FY 1985, $1,686,488 has been spent on Part C grants.

Question: How much interagency money has been used to make Part C grant awards?

Answer: In FY 85, $49,770 in interagency money was used.

PART C GRANT AWARDS

Question: The Domestic Volunteer Service Act Amendments require that every Part C Grant in excess of $50,000 be selected on a competitive basis and that there be public announcement of the availability of funds, a description of the application and review process and an equitable geographic distribution of the programs. How many grants exceeding $50,000 has ACTION awarded since the enactment of the provision? Were the terms and conditions prescribed in the law adhered to? How many grants were made in the $45,000 to $49,999 category?

Answer: ACTION has awarded 4 grants out of Part C funds exceeding $50,000 since the Domestic Volunteer Service Act Amendments were enacted (see below). All terms and conditions prescribed by law were adhered to. The first three grants were awarded competitively and the fourth was fourth year funding of a project based on SEC. 123 not 122 of the Act. The grants awarded are as follows:

Project	State	Grant Amount
GA State University	GA	$299,962
Covenant House	GA	$ 75,000
Harlingen Information & Social Services Org.	TX	$ 52,684
Executive Office of the Governor	DE	$ 54,100

The State Office of Volun'ary Citizen Participation Program (SO/CP) provides funds to governor's offices in the various states; This program, established in 1980, provides a five year award period. The basic SOVCP grant award to the Delaware SOVCP was made in 1981, (consequently, it received its fourth year funding), and the terms and conditions of that award were specified at that time: That based upon performance of the grantee, availability of funds, and timely and proper submission of all reports and reapplications, renewal grants would be awarded up to 60 consecutive months (5 years).

All new SOVCP grants, up to two in FY 1985, will be awarded competitively as specified in the SOVCP guidelines published in the Federal Register, whatever the amount of the grants. Generally, however, SOVCP grants do not exceed $50,000.

In FY 1984 and FY 1985 there were 16 grants out of Part C monies between $45,000 and $50,000 awarded. Fourteen were Part C Demonstration grants and 2 were SOVCP awards.

Question: What will be the new Director's priority funding areas for Part C programs in FY 1986?

Answer: I am in the process of reviewing options for new initiatives. During the next few months I will undertake a comprehensive review of the existing initiatives and evaluate the results.

Question: What type of formal or informal evaluation will ACTION conduct prior to renewing demonstration grant programs?

Answer: Demonstration grants have been, and will continue to be, evaluated through site visits and audits.

YOUNG VOLUNTEERS IN ACTION/N.C.S.L.

Question: What is the current status of the Young Volunteers in ACTION (YVA) program?

Answer: The Young Volunteers in ACTION (YVA) program has 58 projects currently operating.

Question: I note that there is a reduction in funding requested for YVA in FY 86. Is this the beginning of the phaseout of the program?

Answer: No phase-out of YVA is planned at this time; however, an evaluation of YVA is being conducted in 1985 and ACTION will carefully examine its conclusions. The reduction in funds requested for FY 86 for the YVA Program is necessitated by demands of other Service Learning expenditures.

Question: How many YVA projects are currently operating? Of these, how many are in their second year and therefore not eligible for renewal?

Answer There are 58 projects currently operating. 23 are second year programs that are not eligible for renewal.

Question: How much will it cost in FY 86 to support only those YVA projects eligible for renewal, not including those that will be forward funded at the end of FY 85?

Answer: In FY 86 21 projects would be eligible for renewal at a cost of $420,000.

Question: Are there currently any YVA grants founded with interagency funds? In FY 86 will ACTION be receiving or seeking any interagency funds to support YVA?

Answer: No, there are not any grants funded with interagency funds at this time. ACTION does not plan to seek interagency funds to support YVA.

Question: The FY 86 budget submission states that YVA funds are awarded for one year and second year funding is contingent on a grantee's performance during the first year. How do you evaluate a grantee at the end of their first year prior to second year funding?

Answer: In reviewing the submissions for renewals, the number of volunteers, the hours served, the worksites and the locations of the project are considered. Also, the start-up time and the sponsor support, leads to a decision for renewal or denial.

Question: With the FY 84 $3.2 million supplemental VISTA received, how many additional volunteers were added? How many of the VISTAs were expended by way of grants rather than standard service years? How much will the additional 1984 supplemental service years -- grant and non-grant -- cost to refund in FY 85? Will additional funding be required to continue those grants and service years?

Answer: Three hundred additional service years were produced with the FY 84 supplemental. Of these, 298 were for program grants. It would cost $2.4 million to refund these grants in FY 85 or in FY 86. Service years recommended for continuation by Regional Directors will be covered with FY 85 or FY 86 funds.

Question: How many VISTA Volunteers are there currently? How many VISTA projects are currently operating?

Answer: As of March 31, 1985, 2,230 VISTA Volunteers were serving on 454 projects.

RECRUITMENT, TRAINING AND PLACEMENT PATTERN

Question: Since FY 82, the appropriation report has included language directing ACTION to recruit, train and place VISTAs evenly throughout the fiscal year. In FY 84 by quarter, how many volunteers were recruited, trained and placed? **In FY 85 to date?** In FY 86, what are your plans for recruiting, training and placing VISTAs?

Answer: In FY 84, 196 VISTA Volunteers were placed in the first quarter, 134 in the second, 212 in the third and 639 in the fourth. In FY 85, we placed 460 standard and 100 grant volunteers in the first quarter. We placed 533 standard and 73 grant volunteers in the second quarter. FY 86 Regional operating plans have not yet been developed.

Question: The law requires ACTION to prepare and submit to the Congress an Annual Report not later than 120 days after the end of each fiscal year. The report is to reflect the funding and actions taken as a result of evaluations required under section 416 of the Act. Has ACTION provided the Congress with an FY 84

Annual Report? An FY 83 Annual Report? If not, why not?

Answer: Public Law 93-113, Sec. 407, as amended states "Not later than one hundred and twenty days after the end of each fiscal year, the Director shall prepare and submit to the President for transmittal by the President to the Congress a full and complete report on the activities of the ACTION agency during such year". Both the 1983 and 1984 annual reports were sent to the President for transmittal to Congress. Enclosed for your information is a copy of both Annual Reports.

FISCAL YEAR 1984 ANNUAL REPORT

A Message from the Director

In Fiscal Year 1984, ACTION, the national volunteer agency, once again showed that American volunteers can make the difference when it comes to solving local problems and delivering vital social services.

Private sector and local and state government support for ACTION programs continued to grow -- a recognition of the fact that effective, locally controlled volunteer projects yield a return on tax dollars that merits increased investment.

Again in FY 1984, the number of volunteers in ACTION"s nine national programs increased: some 400,000 local volunteers of every background and economic circumstance served in thousands of community projects throughout the 50 states, Puerto Rico and the District of Columbia.

The volunteers were active in every area of service -- battling poverty, teaching the illiterate, fighting drug use and child abuse, preventing crime, assisting refugees, counseling the troubled and supplementing community social services. ACTION volunteers staffed food banks, served in shelters for the homeless, helped out in hospitals and hospices. They worked with disabled citizens, were companions to the homebound, cared for mentally retarded and emotionally disturbed children and provided a boost for veterans.

New legislation helped the Volunteers in Service to America (VISTA) program expand its ability to generate commitment of private sector resources that strengthen local volunteering. In FY 1984 VISTA volunteers served through nearly 400 neighborhood projects, assisting low-income elderly people, bolstering provision of emergency food and shelter, bringing dental care to the homeless and job skills to unemployed youth.

ACTION volunteer programs, as well as the numerous private volunteer efforts that ACTION supports with funding and technical assistance, continued to answer the challenge President Reagan put before us when he took office in 1981 -- "to find ways once again to unleash the independent spirit of people."

During FY 1984, that freedom of spirit and sense of initiative the President spoke about were especially evident in several of ACTION's more recently developed programs. The Vietnam Veterans Leadership Program (VVLP) has shown what can be accomplished when self-sufficiency and local control are central features of a national volunteer effort.

When VVLP was created in 1981, it was based on the assumption that Vietnam veterans would once again answer their country's call and use their leadership skills to build a powerful volunteer network, a program that would thrive long after the "sunset" of its federal funding. That is exactly what happened. ACTION funding for VVLP ended on schedule, but the program remains strong and self-sufficient, and is growing every day. So while it may be sunset for ACTION's role in VVLP, it is only sunrise for the program as it steps up volunteer activities in communities around America. No effort has done more than VVLP to establish an accurate, positive public image of Vietnam veterans.

During FY 1984, ACTION made special efforts to address the problem of missing, exploited and abused children by founding a national child safety program. The Missing and Exploited Children Program (MECP) was formed in cooperation with congressional leaders and the U.S. Department of Justice. MECP was organized in response to the fact that 50,000 children disappear without a trace each year. MECP developed a technical assistance package that aims at educating the community and informing both parents and children of the tools needed to fight the problem. A massive public awareness campaign resulted in thousands of requests for information and references, to which MECP responded. Local fingerprinting and information-gathering events were organized around the U.S. to give parents a compilation of necessary data about their children. Local firemen, police officers, dentists, school personnel, service organizations, and groups such as the Boy Scouts and Girl Scouts joined the community projects. It was another example of what can be done to solve a problem once local initiative is sparked and general guidelines are made available.

FY 1984 was also a special year for the ACTION Drug Prevention Program (ADPP). ADPP has worked closely with the office of First Lady Nancy Reagan to promote awareness of accurate information about drugs, and prevent drug use among the nation's young people. As part of ADPP's education and awareness drive, the program spearheaded the production of a number of public service announcements (PSAs) during FY 1984. The PSAs featured Mrs. Reagan and such celebrities as Brooke Shields and "Mr. T" and were directed and produced for ADPP by Seth Pinsker of N. Lee Lacy Associates. One of the spots, featuring characters from the film "Gremlins," won the top award of the Hollywood Radio and Television society, the "International Broadcast Award." At the same time, a national effort called Pharmacists Against Drug Abuse (P.A.D.A.), which ACTION designed for the McNeil

Pharmaceutical Co., was named the nation's best public service campaign by the Public Relations Society of America. Both P.A.D.A. and the award-winning PSAs owe their success to the leadership and support of Mrs. Reagan. The efforts are also typical of the kind of positive response that the private sector has given to ACTION drug prevention initiatives in the past three years.

ACTION's Older American Volunteer Programs have continued to show that the energy and talents of retired citizens are priceless community resources. The Retired Senior Volunteer, Senior Companion and Foster Grandparent programs all offer older people chances to share the experience of their lifetimes. The Foster Grandparent Program, in fact, has entered its 20th year of extraordinary service to children with special or exceptional needs.

Like the programs for older volunteers, the Young Volunteers in ACTION (YVA) program and the National Center for Service Learning expanded in FY 1984, challenging youth to get involved in local service and helping communities take advantage of the vitality and ingenuity of younger people. We will continue to promote volunteer opportunities that allow youth to learn and grow as they serve.

In FY 1984, the volunteers who serve directly through ACTION programs gave an estimated 100 million hours of service. That figure does not include the work done by thousands of other volunteers who serve through programs that receive technical assistance and/or grants from ACTION. Nor can such service-hour figures measure the huge, beneficial impact (both inspirational and financial) that volunteers have had on health care delivery systems, educational programs and institutions, and social service organizations in the U.S. ACTION programs will continue to tap the rich human resources in every American community and build upon the spirit of neighbor helping neighbor that has been the cornerstone of our national strength and growth since the beginning.

Betty Brake
Acting Director

OLDER AMERICAN VOLUNTEER PROGRAMS

The Older American Volunteer Programs (OAVP), with over 383,500 volunteers in 1,100 projects across the country, are providing innovative, unique, and cost effective services to their communities.

Local agencies around the nation have tapped the talents of 359,000 Retired Senior Volunteer Program (RSVP) volunteers, 19,000 Foster Grandparents and 5,500 Senior Companions in a partnership between community and federal, state and local governments.

In FY 1984, local communities invested $9 million in OAVP projects and state governments added another $18 million.

With ACTION's direction and local community implementation and operation, these projects promise continued success.

RETIRED SENIOR VOLUNTEER PROGRAM

The Retired Senior Volunteer Program (RSVP) has a remarkable record of growth and achievement in providing part-time volunteer opportunities for people 60 years and older to participate more fully in their communities.

In FY 1984, there were 726 projects with 359,000 volunteers assigned to 40,243 community agencies nationwide, with a budget of $27,745,000.

Community Support and Volunteers

A recent study shows non-ACTION funds generated by RSVP projects in FY 1983 amounted to $17,339,305. Of this amount, $10,862,289 came from state and local governments, with another $6,477,016 from the private sector. Local support comprised 43% of the total budget. Figures for FY 1984 show increases in support from local government and the private sector.

For FY 1984, 22% of volunteers were male and 78% female, 37% aged 60-69, 47% aged 70-79, and 16% over age 80. They were 83% White, 11% Black, 4% Hispanic, 1.5% Asian, and .5% Indian/Alaskan.

Volunteers served in courts, schools, museums, libraries, hospices, hospitals, nursing homes and other community service centers. They contributed 64,000,000 hours of service in FY 1984, conservatively estimated to be a return on investment of $7 for each $1 of federal money.

RSVP has shown impressive growth over the past year. The number of volunteers increased from 332,000 to 359,000, and service hours contributed grew from 61,435,000 to 64,000,000.

SAMPLE PROGRAMS

Through the Palo Alto, California, RSVP retired executive volunteers provide management and technical assistance to non-profit and public agencies in Santa Clara and San Mateo Counties. Technical assistance includes provision of technical knowledge in such areas as bookkeeping and graphics and management assistance designed to improve overall management effectiveness. Last year, a corps of 50 consultants volunteered 6,200 hours and completed 132 consulting projects.

In Columbus, Ohio, a literacy project assigns volunteers to public schools to tutor in reading, writing and arithmetic, and a Basic Skills program aimed at teaching people of all ages, including young high school dropouts. The literacy project includes teaching blind adolescents and adults to read Braille and use a system known as Talking Book.

JOINT PROGRAMMING

Within ACTION, RSVP continued its joint programming with the Foster Grandparent and Senior Companion Programs. There was also special program emphasis through interagency agreements with the Department of Health and Human Services, Head Start programs; the Department of Justice, Office of Juvenile Justice and Delinquency Prevention programs; and the Department of Commerce, Minority Business Development Agency.

SENIOR COMPANION PROGRAM

The 10-year-old Senior Companion Program(SCP) has grown from 18 model projects with 1,000 volunteers, to 76 projects with 5,500 volunteers serving nearly 17,000 adults, mostly older citizens with special needs, under a FY 1984 budget of $13.5 million.

SCP volunteers assist adults who are chronically homebound and at risk of being institutionalized by helping them live independently in the community, and easing the transition from institutions back to the community. By service category, approximately 56% of volunteers are involved in companionship outreach, 38% in health and nutrition-related activities, and 6% in a wide variety of community services such as adult day care and senior citizen's socialization/recreation.

COMMUNITY SUPPORT AND VOLUNTEERS

A recent study shows non-ACTION funds generated by SCP projects in FY 1984 amounted to $4,440,877. Of this amount, $3,718,612 came from state and local governments, with another $722,265 from the private sector. Local support comprises 12% of the total budget.

For FY 1984, 17% of volunteers were male and 83% female. They were 63% White, 28% Black, 6% Hispanic, 2% Asian, and 2% Indian/Alaskan.

SCP volunteers work through acute care hospitals, home health agencies, multi-purpose non-profit organizations, nursing homes, hospices and community health agencies. In FY 1984 they contributed a remarkable 2,434 volunteer service years in program emphasis areas, including service to the terminally ill, acute care/discharge planning, and substance abuse counseling.

SAMPLE PROGRAMS

In Niagara Falls, New York, 85 volunteers serve more than 200 frail elderly, easing their discharge from acute care hospitals and helping prevent unnecessary readmissions by adjusting them through the crucial transition period to their homes. Two of the five hospitals served estimate readmission rates for older patients have declined by 15% as a result.

In Minneapolis, Minnesota, 10 volunteers received extensive orientation and special training on substance abuse problems to serve 100 elderly fighting alcohol dependency. The Senior Companions helped these elderly achieve and maintain sobriety by replacing their loneliness and isolation with new activities and socialization.

In Worcester, Massachusetts, four volunteers were assigned to hospice care teams. The sponsoring organization describes their service as critical in providing peer support, and respite care.

JOINT PROGRAMMING

Within ACTION, SCP continued its joint programming with the Retired Senior Volunteer and Foster Grandparent Programs. There are also special interagency agreements with 15 state agencies which receive state, local and private sector funds to expand the SCP model.

FOSTER GRANDPARENT PROGRAM

The Foster Grandparent Program (FGP), started under the Older Americans Act of 1965 and continued by the Domestic Volunteer Service Act of 1973, is charged with "providing opportunities for low-income persons, aged 60 and over, to provide supportive person-to-person services to children having exceptional needs ... and children with special needs."

In 1984, 18,425 FGP volunteers assisted 64,500 children through 241 projects nationwide. In addition, there are eight projects totally supported by state funds.

COMMUNITY SUPPORT AND VOLUNTEERS

The value of FGP is shown by the fact that over 40 states have provided funds to expand the program's activities within their jurisdictions, and community organizations consistently request additional volunteers. Enthusiastic state and local support, along with private sector contributions, easily doubled the 10% local funding required by law for federal assistance.

In 1984, Foster Grandparents were 15% male and 85% female, 40% aged 60-69, 50% aged 70-79, 8% aged 80-84, and 2% aged 85 or older. They were 57.1% White, 31% Black, 8.4% Hispanic, 2.5% Indian/Alaskan, and 1% Asian. Nearly 57% live in urban settings, while 43% are in sparsely populated areas. Interestingly, handicapped Foster Grandparents comprise 9% of the total.

SAMPLE GRANDPARENT PROGRAMS

In Stockton, California, when an institutionalized juvenile offender first sat down with his Foster Grandparent, he was reading at a second grade level. Eight months later, he wrote his first letter home. In another eight months, he earned his general equivalency diploma and parole. He was only one of more than a score of children that experts considered beyond help before they were turned over to this Foster Grandparent, whose teaching methods often result in juvenile offenders earning general equivalency diplomas in less than a year. Nationally, some 2,000 Foster Grandparents serve approximately 7,000 young people in juvenile justice settings.

In Boston, Massachusetts, Foster Grandparents work with the children of battered women, who often in turn abuse their children, both physically and emotionally. These Foster Grandparents develop caring relationships with the children, and then see that these relationships are strengthened and maintained. They also provide parenting models for the youthful parents among the battered women whose children they serve.

In scores of facilities for the mentally retarded and developmentally disabled nationwide, Foster Grandparents bring daily care into the lives of thousands of children with special needs, supplementing the efforts of institutional staff. Additional thousands of such children receive care from Foster Grandparents through public schools, group homes, sheltered workshops and other non-resident facilities.

JOINT PROGRAMMING

Within ACTION, FGP continued its joint programming with the Retired Senior Volunteer and Senior Companion Programs in states such as California and New York. There was also an interagency agreement with Department of Health and Human Services, which until the end of FY 1984 provided funding for Foster Grandparents assigned to Head Start children. Now these special Head Start efforts continue in California, Georgia and Wisconsin as a result of ACTION funding.

A special FGP fund, supported by private contributions and royalties from Mrs. Nancy Reagan's book, "To Love A Child," was established in 1981 to support special activities in a number of projects. In 1984, these funds were awarded to eight existing projects and made possible the one-year enrollment of 33 additional Foster Grandparents who serve approximately 115 children.

OFFICE OF VOLUNTEER LIAISON

Individual, voluntary, neighbor-helping-neighbor solutions to human needs are the goal of the Office of

Voluntary Liaison (OVL), whether through grant programs or government-wide initiatives.

COMMUNITY ENERGY PROJECT

FY 1984 was the final year of ACTION's four-year Community Energy Project (CEP), an interagency agreement with the Department of Energy to assist communities undertaking volunteer-dependent energy conservation projects. During its existence, CEP funded 84 projects with $1,209,000; and 331,150 volunteers performed 1,042,250 hours of service, and generated an estimated $1,158,900 in additional support from non-federal sources.

GOVERNMENT INVOLVEMENT

In commemoration of the National Year of Voluntarism, ACTION co-sponsored the Government Involvement in Voluntary Efforts (GIVE) Conference in Washington, D.C., to explore ways federal departments and agencies could encourage voluntarism among their employees.

INTERNATIONAL YOUTH YEAR

In preparation for the United Nation's International Youth Year in 1985, OVL, with the oversight of the Department of State, encouraged over 200 commemorative activities and initiated a compendium of federal youth programs.

MINI-GRANT PROGRAM

In FY 1984, OVL funded 10 Mini-Grant projects in 10 states with emphasis on: substance abuse among the elderly and the young, refugee assistance, literacy, child abuse, latchkey children, runaways, and volunteer clearinghouses.

NATIONAL VOLUNTEER WEEK

For the third straight year, OVL coordinated the celebration of National Volunteer week providing guidance to 50 federal agencies, assistance in staging volunteer Fairs at federal facilities. OVL also coordinated volunteer week activities with the seven Washington, D.C. area volunteer clearinghouses.

RESOURCE CENTER

In FY 1984, the ACTION Resource Center was established as a result of OVL's experience with databanks needs assessments. The Resource Center will assist agencies and organizations involved in voluntarism by providing access to a volunteer information databank covering ACTION programs, other federal programs, legislation, technical assistance, and a definitive bibliography on voluntarism.

VOLUNTARY CITIZEN PARTICIPATION

The State Office of Voluntary Citizen Participation Program (S/OVCP) provides grants for promoting and coordinating statewide voluntary activity. OVL links with 31 of 45 "state" offices funded by ACTION since 1974. In FY 1984, OVL funded nine S/OVCPs in: Alabama, Colorado, Delaware, Idaho, Illinois, Iowa, New Hampshire, North Dakota and South Dakota. The remaining 22 offices operated independently of ACTION funding.

OVL offers support to all state offices through workshops and training conferences, and provides information on ACTION and other public and private volunteer programs.

TECHNICAL ASSISTANCE PROGRAM

The Technical Assistance Program (TAP) supports the management and training of volunteers, by providing grants to non-profit organizations. In FY 1984, for instance, the Dallas (Texas) Volunteer Center received a TAP grant to plan a year-long volunteer recruitment/ recognition media event which has become a potentially replicable program.

VOLUNTEERS IN SERVICE TO AMERICA

Established in 1964, Volunteers in Service to America (VISTA) was created to help the disadvantaged better cope with poverty-related problems. Criticized in recent years for political activism, VISTA programming has been re-focused to ensure long-term impact on the problems of poverty by increasing self-sufficiency within targeted communities. VISTA's scope was enlarged by new legislation "to generate the commitment of private sector resources and encourage volunteer service at the local level."

In FY 1984, the number of VISTA projects was 387, with youth-oriented projects on child abuse, runaways, job skills, and drug abuse, accounting for 35% of total projects. Other projects focused on literacy, the elderly, foodbanks, employment, and shelter.

In FY 1984, VISTA provided 2,009 volunteer service years. Twenty-eight percent of volunteers were male and 72% were female, 24% aged 18-27, 19% aged 28-34, 37% aged 35-55, and 20% aged 55 and over. Some 1,526 volunteers in 387 projects operated under a $15,034,400 budget.

NATIONAL CENTER FOR SERVICE-LEARNING

The National Center for Service-Learning (NCSL) continued to provide free training, resource materials and technical assistance to volunteer agency staff who direct, plan, and develop student volunteer programs, enlisting thousands of college and high school student volunteers. Volunteers serve as companions to senior citizens, tutors in literacy projects, and workers in energy conservation, crime prevention and neighborhood improvement programs.

NCSL trains and assists people who supervise student volunteer projects, sponsors seminars and workshops for educators and community agency staff who work in service-learning programs or wish to develop them.

SAMPLE ACTIVITIES

Program planning and management workshops were held to help educators and community personnel develop and implement new service-learning programs. Experienced practitioners taught the basics of program management, including identifying community needs, developing volunteer jobs, recruiting and retaining student volunteers, monitoring project progress, and building program support within the school community.

Management seminars were sponsored for high school and college educators and agency personnel who already have basic program management skills and experience, with each seminar examining a major issue of special interest to the group.

A series of one-day regional conferences on illiteracy were held, with emphasis on how local projects may use student volunteers to alleviate the problem. Leading scholars and volunteer agency practitioners presented examples of successful volunteer efforts in the field.

Drug abuse prevention workshops, designed to aid the development and management of drug prevention service-learning programs were also sponsored. The workshops focused on the basics of developing drug prevention programs which enroll high school and college age volunteers.

NCSL published and distributed "how-to" booklets and manuals for program planners and managers, as well as the provision of consultants for short-term assignments to help solve specific problems associated with managing student volunteer programs.

YOUNG VOLUNTEERS IN ACTION

The Young Volunteers in Action (YVA) program was established in 1981 to provide youth, ages 14-22, an opportunity to serve as non-stipended volunteers and to address the needs of the low-income community. The goal was to focus the energy and talents of youth in an effective way while building their spirit of service.

In FY 1984, grants were awarded to 64 YVA projects, with 11,000 volunteers contributing a projected 547,000 hours of service. Since the program's inception, YVA volunteers have given more than 1,000,000 hours of service through 143 projects across the country.

COMMUNITY SUPPORT

Community support for and acceptance of YVA has been active and impressive, with involvement of local civic groups and local government representatives on the board of local projects, generating local resources to sustain projects without federal funds.

In Washington, D.C., the Volunteer Clearinghouse of the

District of Columbia sponsored YVA volunteers in a variety of jobs, including companions for the elderly. Volunteers from the city accounted for 70% of the manpower, with 30% coming from the surrounding suburbs. Interestingly, these YVA volunteers seek to help those less fortunate than themselves and request "hard-core" jobs with social service organizations, such as shelters for the homeless or crisis hot-lines.

MISSING CHILDREN

The Missing and Exploited Children's Project was designed to create a national, volunteer-based effort to prevent child abduction, exploitation and runaways. The project provided technical assistance to promote community-based public awareness of the problem of missing and exploited children.

Child Safety Day Programs planned, sponsored, and implemented community-level action by local organizations nationwide. ACTION, in cooperation with the Office of Juvenile Justice and Delinquency Prevention (OJJDP) and U.S. Senator Paula Hawkins, called together a National Working Group on Missing Children. Tens of thousands of children were fingerprinted and child safety information was distributed to them and their parents. The interagency funding agreement between ACTION and OJJDP continues to provide much-needed cooperation and coordination with child-safety volunteer efforts across the country.

SUPPORT OFFICES

OFFICE OF ADMINISTRATION

ADMINISTRATIVE SERVICES DIVISION

The Administrative Services Division was reorganized during FY 1984 into two professionally staffed branches providing a full range of administrative support services nationwide.

Handling day-to-day administrative support needs, the Communication and Property Branch supports more than 60 offices throughout the nation, It is also responsible for office furniture and equipment, the telephone system, mail distribution, space planning and allocation, and providing security for records that include the personnel files of over 21,000 former volunteers, printing and other services.

The Paperwork and Management Analysis Branch provides the agency's long-range support services, including planning and conducting studies of all ACTION operations and systems for improvement. It oversees the agency directives system and processes Freedom of Information and Privacy Act requests.

During FY 1984, the Division implemented the Centrex telephone system and initiated postal controls, reducing costs by $100,000. The Division also procured a new word-processing system which will reduce projected costs for its older, leased system by $100,000 a year.

PERSONNEL MANAGEMENT DIVISION

The Personnel Management Division's Quarterly Newsletter resumed publication in FY '84. The first Quarterly Newsletter was issued in September 1984. It contains personnel information on a variety of subjects of interest to all ACTION employees.

During FY '84 the Office of Personnel Management (OPM) conducted an Installation Assessment Visit of the ACTION personnel office. OPM found that the personnel office was meeting all rules, regulations and procedures.

COMPUTER SERVICES DIVISION

Computer Services Division has identified and selected a new computer configuration for the Agency, which will be acquired in FY '85. Computer Services has implemented the formation of an ADP Users Group and Information System Council.

In the area of Staff Payroll, CSD has implemented electronic fund transfer, Merit Pay, Comparability Pay and necessary changes in health insurance premiums and State_taxes.

Major modifications were made to the Accounting systems, the VISTA payroll system, and the Grants Management Information System.

OFFICE OF FINANCIAL AFFAIRS/COMPTROLLER

The Office of Financial Affairs/Comptroller coordinates the total financial management functions of the agency into a broad system of financial controls. Financial functions include accounting, procurement, budgeting, grants and contracts, financial management systems/reports, staff payroll, and domestic volunteer allowances. The Comptroller is the principal financial management advisor to the Director of ACTION.

The Management and Systems Review Staff, established in late FY 1984, monitors the Agency's audit resolution and internal controls systems to assure their proper functioning;

performs internal reviews of the Office of Financial Affairs/Comptroller and coordinates reviews throughout the Agency to improve financial system efficiency and effectiveness and to evaluate compliance with financial management policies and procedures; and assists the Comptroller in establishing and maintaining effective coordination with the Office of Management and Budget, the General Accounting Office, and Congressional staffs through appropriate channels within the Agency.

The Accounting Division is responsible for providing accounting, payrolling, and fiscal service Agency-wide consistent with the requirements of ACTION management, the General Accounting Office, the Office of Management and Budget, the Department of the Treasury, and the General Services Administration. The Division provides guidance and direction to Agency managers and staff concerning accounting, payrolling, VISTA volunteer payments, and other fiscal matters, and ensures compliance of these systems with higher authority directives. The Director serves as Accounting Officer for the Agency. During FY 1984, a major achievement of the Division was the establishment of standard Obligation Ledgers for each office.

The Budget Division participates in the full range of budget formulation, presentation, justification, and execution activities of the Agency at all levels: Agency, Office of Management and Budget, and the Congress. The Division is responsible for the development and implementation of Agency budget procedures in accordance with law and regulation (including OMB Circulars A-11 and A-34 and the Anti-Deficiency Act) and for the Agency's directives setting forth these procedures. The Director serves as the

Agency's Budget Officer. During FY 1984, the Division provided direct staff support to the Office of Domestic and Anti-Proverty Operations, filled key vacancies, and participated in Congressional hearings.

The Contracts and Grants Management Division is responsible for the negotiation, award, and administration of contracts, interagency agreements, and purchase orders, for the review, issuance, and surveillance of grants and cooperative agreements, and for the implementation of policies, procedures, and standards for procurement and grant functions. In addition, the Division maintains oversight of regional procurement and grants operations. The Director serves as the Agency's Procurement Executive. Two major accomplishments in FY 1984 were issuance of the Grants Management Handbook for Grants Officers and sponsorship of the Grants and Contracts Officers' Training Conference in Washington, D.C.

ACCOUNTING DIVISION

The Accounting Division is responsible for all agency financial records, payroll, payment of obligations incurred and related fiscal services. Access to the automated database is established at headquarters and is available to each regional office through data terminals.

During FY 1984, a major achievement of the Division was the establishment and maintenance of standard Obligation Ledgers for each office.

BUDGET DIVISION

The Budget Division is responsible for formulation, presentation, and oversight of the agency's budget. During FY 1984, the Division provided direct staff support to the Office of Domestic and Anti-Poverty Operations, filled key vacancies, and participated in a number of Congressional hearings.

CONTRACTS AND GRANTS MANAGEMENT

The Contracts and Grants Management Division is responsible for awarding and administering all contracts and grants initiated by headquarters' offices, for development of all agency procurement policies and procedures, and for oversight of all contracts and grants awarded by field offices. Two major accomplishments in FY 1984 were issuance of the Grants Management Handbook for Grants Officers, and sponsorship of the Contracts and Grants Officers Training Conference in Washington, D.C.

OFFICE OF POLICY AND PLANNING

The Office of Policy and Planning is responsible for ACTION's policy, planning, and evaluation functions. It supports the Director and senior executive staff in policy development and analyses, assists in the formulation of agency-wide goals and objectives, and implements demonstration programs to test new program initiatives.

PLANNING DIVISION

The Planning Division is responsible for ACTION's planning systems, including those used by management to develop goals, objectives, and short- and long-term plans. The Division develops, implements, and monitors the process for Agency management to establish the Current Year Operating Plans and associated budgets. The process tracks the agency program and financial activities on a yearly and quarterly basis.

The Division is responsible for ACTION's information resources activities. These include internal information systems pertaining to the Agency's operations and external contacts with the Office of Management and Budget, and the General Services Administration. Two of the most important projects were the implementation of the Executive Order 12372, which mandates state review of the Agency's programs, and the revision and up-date of the program announcements in the Catalog of Domestic Federal Assistance.

The Planning Division continued to coordinate the Agency Information Resources Management process that it established in FY 1982. The process ensures that ACTION is responsive to the government-wide Paperwork Reduction Act of 1980 and related directives from the Office of Management and Budget and the General Services Administration.

POLICY DEVELOPMENT DIVISION

The Policy Development Division awards and manages Title I, Part C Demonstration Grants to organizations that have the potential to generate volunteer activity, stimulate private and public financial support, and create models that can be replicated by other organizations. In FY 1984, ACTION Demonstration grants and technical assistance to community organizations supported local volunteer efforts across the United States in the areas of drug use prevention, illiteracy, refugee assistance, runaway youth and neighborhood development. In response to President Reagan's declaration of a state of emergency in the Rio Grande Valley, ACTION distributed almost a half a million dollars to eight grantees.

Significant accomplishments [illegible]

DRUG PREVENTION

The White House, in 1981, assigned ACTION the "primary responsibility for implementing the federal drug use prevention effort." The ACTION Drug Prevention Program (ADPP) supported voluntary and private sector participation and, in conjunction with the efforts of various state and local organizations, disseminated accurate, current information on the health and social effects of drugs and alcohol.

ADPP continued its private sector collaborative efforts with the Elks, American Medical Association Auxiliary, General Federation of Women's Clubs, and Encyclopaedia Brittanica. The Pharmacists Against Drug Abuse Campaign designed by ADPP last year, in conjunction with McNeil Pharmaceuticals, continued to expand its efforts and distributed more than 15,000,000 brochures through our nation's pharmacies and trained over two thousand pharmacists as speakers and volunteers.

This year, ACTION expanded the statewide networks to include New Hampshire, Illinois, Iowa, Kansas, Michigan, Mississippi, Pennsylvania, Virginia, and the District of Columbia.

In FY 1984, ADPP launched its most ambitious program ever -- a major media campaign consisting of nine public service announcements which were written, produced and disseminated through hundreds of volunteers. This campaign, featuring Mrs. Reagan and some of the world's top celebrities, was valued at more than $1 million and is an excellent example of a public/private sector initiative.

ILLITERACY

ACTION Demonstration Grants to major literacy organizations such as Laubach Literacy International and Literacy Volunteers of America support local volunteer efforts. The grants enabled these organizations to greatly expand their capability to provide organizational support and technical assistance to community organizations involved in the fight against illiteracy.

RUNAWAY YOUTH

The ACTION Demonstration Grant to Covenant House in New York supported the replication of its successful "Under 21" runaway shelter model in Ft. Lauderdale, Florida. The Florida program is primarily funded by local contributions and benefits the especially difficult-to-place runaway and homeless youth under the age of 21.

Covenant House provided ongoing technical assistance to more than 300 organizations interested in establishing new runaway programs or expanding existing services.

NEIGHBORHOOD DEVELOPMENT

The Policy Development Division awarded funds from an interagency agreement with the Department of Justice to the National Center for Neighborhood Enterprise. The Center sponsored conferences on Day Care and Delinquency Prevention for volunteer-based organizations. In addition, a grant to the House of Umoja in Philadelphia matched former gang members, who are productive community members, with youth-at-risk, especially those now involved with gangs.

REFUGEES

Save Cambodia, Inc. of Arlington, Virginia, assisted Cambodian refugees to secure and maintain employment in the Philadelphia and Washington, D.C. metropolitan areas. The FY 1984 Demonstration Grant enabled it to develop a manual for refugee employment.

THE VIETNAM VETERANS LEADERSHIP PROGRAM

The three-year Vietnam Veterans Leadership Program (VVLP) exhausted its ACTION funding on the last day of FY

1984. The program had accomplished its mission of establishing a national network of Vietnam Veteran volunteers to assist their fellow veterans with unemployment or underemployment, and to help change the negative image of these veterans to a perception of them as productive, highly-qualified, mainstream Americans.

Some of the impressive results include:

- 47 non-profit corporations established in 41 states worked on priorities such as building the volunteer network, image enhancement, employment and training opportunities, small business development, fund raising, and collaboration with other organizations on veteran affairs.
- More than 1,000 successful Vietnam veterans serve a direct role in these corporations as unpaid volunteers and paid project directors, and nearly 6,000 volunteers have stepped forward nationwide to help achieve the objectives of VVLP. These volunteers contributed 350,499 hours of unpaid time.
- 2,943 Vietnam veterans have been placed in jobs in 41 states. In accomplishing this, 24,782 veterans were counseled on employment matters, 11,788 were referred to other agencies and to employers for job interviews, and 6,088 job leads were developed.

The purpose of the VVLP's work has been to encourage leaders among Vietnam veterans to act as volunteers in their communities helping fellow veterans in need. This purpose has been admirably served, and now the local programs throughout the country will continue with local funding and leadership.

EVALUATION DIVISION

The Evaluation Division completed three evaluations in FY 1984. One was a longitudinal evaluation measuring the impact of the Foster Grandparent Program on the volunteers. Another measured the impact of Foster Grandparents on juvenile offenders, and the third described the involvement of Foster Grandparents and Retired Senior Volunteers in local Head Start projects.

At the close of FY 1984, five other evaluation reports were being reviewed within ACTION. Two were on the impact of long-term care services provided by the Senior Companion Program, (SCP) and Retired Senior Volunteer Program (RSVP) through demonstration research grants. A third measured the impact over time of SCP on the Senior Companions and clients. The report on three projects (case studies) of the Young Volunteers in ACTION (YVA) program, and the report on the second round of data for the impact evaluation of RSVP on the volunteers, were the remaining two. All five of these reports should be published in April or May, 1985.

The planning for three other evaluations started in FY 1984. They should focus on the effects of YVA, the SCP Homebound Elderly projects as mandated in PL 98-288, and the goal accomplishments and community effects of VISTA.

Some of the significant findings from the three completed evaluations were:

- Overall functioning of the Foster Grandparents was maintained or improved over time while the comparison group members' overall functioning declined.
- The mortality rate of the Foster Grandparents was half that of the comparison group members.

- Physical health of the comparison group members declined slightly over time while the Foster Grandparents showed initial improvement and then a return to their level at the time they joined the program.

- Juvenile offenders working with a Foster Grandparent had more positive attitudes than those juvenile offenders without a Foster Grandparent. Those with a Foster Grandparent had a greater tendency to have higher self-esteem, especially in the first six months.
- The Foster Grandparents affected, in a positive way, the youths' attitudes towards the juvenile offender institution where they lived.
- The Foster Grandparents were well accepted by staff and youth alike in the institutions for juvenile offenders.
- More than half of the Head Start teachers rated the FGP and RSVP volunteers as more reliable, more willing to increase their involvement, and more enthusiastic when compared to volunteers in general.
- Eighty percent of the FGP volunteers participated in five or more activities, the predominant ones being socialization, personal attention, and learning assistance.
- RSVP volunteers provided 20 different types of activities, the predominant ones being making educational materials, craftmaking and sewing, and socialization.

OFFICE OF COMMUNICATION

In FY 1984 the Office Of Communication continued its mission of providing information and raising public awareness of all ACTION programs and activities, through news releases, publications, films, slide shows, public service announcements, exhibits, posters and brochures. It also responded to a large number of news media and public inquiries about specific programs.

A major communication campaign was staged on behalf of the agency's Missing and Exploited Children Program. Support materials included four radio and TV public service announcements, a Child Safety Handbook, two flyers, two posters, a bookmark and a coloring book. Media support was provided in the six-city pilot Safety Day programs, where 21,000 children were fingerprinted and vital statistics recorded.

In celebration of the tenth anniversary of the Senior Companion Program, Communication secured national coverage of events and produced a poster, booklet, flyer, brass plaques and an updated Program Directory.

In support of the agency's refugee relief efforts, Communication produced and distributed a 27-minute film, "In Search of Home," as a training aid to volunteers working in refugee resettlement programs.

Communication produced a wide range of brochures, flyers, and other printed materials in support of the Drug Prevention Program, Young Volunteers in Action, the Mini-Grant Program, and VISTA, as well as an agency-wide brochure. Two SCP flyers produced in FY 1983 were reprinted in FY 1984.

In addition to providing routine public affairs/media relations support for senior staff and programs, the Public Affairs division worked closely with ACTION Director Tom Pauken when he was appointed by the President to head the Rio Grande Valley Disaster Assistance Task Force.

OFFICE OF CONGRESSIONAL AFFAIRS

The Office of Congressional and Intergovernmental Affairs (OCIA) represents ACTION on Capitol Hill, keeping Members of Congress and committee staff informed on agency activities, monitoring legislation, and maintaining close ties with the many committees and subcommittees with agency oversight jurisdiction.

In FY 1984, OCIA worked with other offices to obtain appropriation and reauthorization for ACTION. The agency's FY 1985 appropriation is contained in legislation covering the Departments of Labor, Health and Human Services, Education, and related agencies. This marked the first time in several years that ACTION has received a separate appropriation, rather than funding through a series of continuing resolutions.

OCIA continued to keep Members of Congress and committee staff informed of new agency initiatives to encourage volunteer efforts in such areas as energy conservation, literacy, drug abuse, Young Volunteers in ACTION, and the Vietanam Veterans Leadership Program.

OFFICE OF GENERAL COUNSEL

In FY 1984, the Office of General Counsel continued its active representation of the agency in administrative and judicial proceedings. The office participated in administrative hearings and/or lawsuits in the areas of denials of refunding, labor-management relations, equal employment opportunity, contract disputes and in certain

RIF-related personnel actions. A number of program-and personnel-related suits were successfully concluded. The Office continued to assist in processing requests for information under the Freedom of Information and Privacy Acts, and defending agency FOIA/PA determinations.

In coordination with various program offices, the General Counsel's Office assisted in drafting and/or publishing regulations, legislation, guidelines, and handbooks. The office continued its review function for agency grants and contracts, other memoranda and policy statements, publications and ACTION orders, and its advisory function in the issuance of legal opinions.

As the agency's ethics adviser, the Office continues to interpret and enforce the employee Standards of Conduct, and also ensures staff compliance with the Ethics in Government and Hatch Acts. The Office also provided ethics and conflict of interest training for agency employees and sponsors, both in Washington and in the regions.

OFFICE OF COMPLIANCE

The Office of Compliance is composed of three major divisions: the Office of the Director, which promulgates policy; the Inspector General Division, responsible for all audits and investigations; and the Equal Opportunity Division, providing an independent, senior-level program management and advocacy plan to ensure equal opportunity in all ACTION operations and programs.

AUDITS AND INVESTIGATION

The Inspector General Division conducts all audits and investigations for ACTION. In FY 1984, a total of 28 audits of agency programs were performed, which included 82 budget periods. Through the regional offices, the Division awarded contracts to nine independent CPA firms to audit 144 sponsoring agencies awarded ACTION grants. These audits encompassed a review of 253 grants for 406 budget periods. The Division also initiated and completed six investigations, in addition to nine preliminary investigations and reviews.

ADDENDUM TO ACTION'S FISCAL YEAR 1982 REPORT

In FY 1983, many of ACTION's program and support offices continued to carry out and implement the policies and activities outlined in the agency's FY 1982 annual report. This addendum contains updated FY 1983 statistics as well as brief descriptions of activities initiated during FY 1983.

OLDER AMERICAN VOLUNTEER PROGRAMS

Retired Senior Volunteer Program (RSVP)

345,000 RSVP volunteers served in FY 1983 in 725 projects nationwide.

Foster Grandparent Program (FGP)

In FY 1983, more than 18,350 volunteers contributed more than 16,430 service years. During the same year, the program expanded from 237 to 244 projects.

Senior Companion Program (SCP)

In FY 1983, there were 76 projects with more than 4,850 SCP volunteers. Senior Companions contributed more than 3,960 years of service in communities throughout the nation.

OFFICE OF VOLUNTEER LIAISON

Mini-Grant Program

In FY 1983, eight mini-grants totaling $65,000, were awarded to: five community-wide volunteer clearing houses; one project for the prevention and treatment of child abuse and neglect; one primary prevention program for young substance abusers; and one statewide network of volunteer services for refugees. These projects are producing nearly 100,000 hours of volunteer service.

Techincal Assistance Program

In FY 1983, one Technical Assistance Program (TAP) grant was awarded to the University of La Verne, California, to develop guidelines for communities of 250,000 or fewer to use in initiating capital improvement programs.

State Offices of Voluntary Citizen Participation Program

In FY 1983, ACTION funded nine State Offices of Voluntary Citizen Participation (S/OVCP) Program grants; seven continuation grants for existing programs; and two new offices in New Hampshire and North Dakota were established.

Community Energy Project

In FY 1983, Community Energy Project (CEP) awarded a total of 43 grants to support projects:

-17 "mini-grants" of up to $10,000 went to support activities in individual towns and communities;

-17 grants supported efforts in numerous communities or supported non-traditional energy conservation projects;

-6 grants went for statewide activities;

-3 grants supported activities located in more than one state.

The 43 grants allowed more than 250,000 volunteers to serve more than 740,000 volunteer hours.

VISTA (Volunteers In Service To America)

In FY 1983, the number of VISTA projects decreased from 498 at the start of the fiscal year to 418 on September 30, 1983.

Youth oriented projects addressing the problems of child abuse, runaways, job skills, drug abuse, etc., accounted for 33% of the total projects. Literacy and drug abuse as separate categories were 18% and 14% respectively of the total. Other areas of activity were the elderly at 15% and food banks at 23%.

A.	Number of VISTA Volunteer Service Years		1,728
	1. Sex Ratio (%)		
	Male	31	
	Female	69	
	2. Age (%)		
	18 - 27 years	27	
	28 - 34	20	
	35 - 59	40	
	60 and over	13	
B.	Expenditures - FY '83		
	Volunteer Support		9,806,000
	Training		123,000
	Project Support		824,000
	Grants		309,600
	Evaluation		---
	Total		11,831,000
C.	Number of VISTA Projects (9/30/83)		433
D.	Number of Volunteers (9/30/83)		1,950

YOUNG VOLUNTEERS IN ACTION -YVA

YVA involves students ages 14-22 in non-stipended, sustained short-term volunteer services in their communities. Originally developed in 1981 with the funding of 12 demonstration projects, by the end of FY 1983 the program had grown to 83 projects with 13,495 young volunteers generating 565,096 hours of service to the community.

In FY 1983, an increasing number of programs became geared to specific endeavors, such as work with drug abusers, juvenile offenders, latchkey children and Headstart. Efforts like these were made possible, in large part, through second year interagency agreements between ACTION and the Administration for Children, Youth and Families of the Department of Health and Human Services and between ACTION and the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice.

One program funded in FY 1983 was Youth in Service to Elders in Pittsburgh, Pennsylvania, in which students assist older citizens in the community. Activities include providing companionship, delivering food to those who are homebound, assisting with home repairs and visiting in nursing homes and hospitals.

Another program funded in FY 1983 was the YVA program in New Orleans, Louisiana, in which low income students work with other low-income people, helping to improve neighborhoods or tutoring low-income youth. The volunteers also work in an after-school care and recreation program with elementary school children in which they provide tutoring, supervision, counseling and organization of arts and crafts activities.

SUPPORT OFFICES

OFFICE OF ADMINISTRATION

In FY 1983 the Office of Administration comprised three divisions: Personnel Management, Computer Services and Administratative Services. The major accomplishments within each of these divisions during FY 1983 were:

Personnel Management:

-- Planned and negotiated a substantial reduction-in-force which would have impact on nearly every office in the agency;

-- Implemented a reduction-in-force of more limited scope which affected headquarters offices only;

-- Provided outplacement services for the riffed employees;

-- Management proposed to the ACTION Employees Union, renegotiation of the basic labor-management agreement which expired on December 17, 1983. Ground rules have since been agreed on and management has provided the union proposals for negotiation.

Computer Services:

-- Implemented a direct deposit electronic funds transfer process for the automated payroll system.

Administrative Services:

-- Completed restructuring of the agency's telecommunications system;

-- Started a major project to revise all agency directives;

-- Disposed of excess, unused and/or unserviceable printed materials, furniture, and equipment.

OFFICE OF POLICY AND PLANNING

The Office of Policy and Planning (OPP) is responsible for developing policy directions for the agency and for implementing them through demonstration grants and through guidance to other agency offices. OPP is also responsible for the agency's planning, budget, policy and evaluation functions.

During FY 1983, OPP policy directions continued to reflect the responsibility of the individual citizens to address and solve their own problems without depending on the federal government. Toward that end the agency continued to promote duplication of model volunteer programs by private, as well as public sector groups, and to promote the use of volunteers whenever possible.

Planning Division:

The Planning Division is responsible for ACTION's planning system, including those used by management to develop goals, objectives, short-term and long-term plans. The division also develops, implements and monitors the process whereby agency management establishes the Current Year Operating Plans and associated budgets.

In FY 1983, the division assumed responsibility for ACTION's information resources activities. These included internal information systems pertaining to the agency's operations and external contacts with the Office of Management and Budget, the General Accounting Office and the General Services Administration. Two important projects were: implementation of Executive Order 12372, which mandates state review of the Agency's programs; and the revision and update of the program announcements in the Catologue of Federal Domestic Assistance.

The Planning Division continued to coordinate the Agency Information Resources Management system that it established in FY 1982. The system ensures that ACTION is responsive to the government-wide Paperwork Reduction Act of 1980 and related directives from the Office of Management and Budget.

Policy Development Divison:

The Policy Development Division awards and manages Part C Demonstration Grants to organizations that show the potential to generate volunteer activity, stimulate private and public financial support and create models for replication by other organizations. The division continued its emphasis on and funding for programs which addressed the problems of illegal drug use by the country's youth, illiteracy, runaways, homeless youth, refugees and neighborhood programs. OPP awarded grants to 32 demonstration projects in FY 1983.

Drug Use Prevention

In FY 1983, the White House assigned ACTION the primary responsibility for implementing a nationwide drug prevention effort which focused on the role of parents in the fight against drug abuse. The agency increased its technical assistance to voluntary parents' organizations, corporate and civic leaders and major communitiy groups that design and implement projects promoting drug awareness and drug-free lifestyles.

ACTION demonstration grants strengthened 12 statewide volunteer networks that involve parents, children and communities in combatting the use of drugs. Continuing funding to the Parent Resource Institute for Drug Education (PRIDE) and to the Families in Action enabled those organizations to provide technical assistance and current information to volunteers throughout the country. Another continuing grant -- to the Archdiocese of New York Drug--Alcohol Rehabilitation (DARE) project -- resulted in the development of a comprehensive, community-based model for prevention, education and early intervention against drug abuse. The DARE model is being replicated in Miami, Florida, and by organizations in several states and foreign countries.

ACTION helped design and implement the Pharmacists Against Drug Abuse (PADA) program, a nationwide campaign to educate parents to the dangers of illicit drug use by their children. PADA, which ACTION co-sponsored with McNeil Pharmaceutical, a subsidiary of Johnson & Johnson Inc., distributes free brochures through the nation's pharmacists and sponsors a public service awareness campaign, including T.V. announcements. Pilot PADA programs were launched in November 1982 in Maine, New Hampshire and Massachusetts.

In July 1983, the Benevolent and Protective Order of Elks (BPOE) kicked off a nationwide anti-drug campaign to be conducted at the grass-roots level by Elks members in their respective communities. ACTION co-sponsored this program with BPOE, providing technical assistance through OPP.

The agency also provided technical assistance to the General Federation of Women's Clubs (GFW), enabling GFW to launch a nationwide prevention program against drunk and drugged drivers.

In its drug prevention efforts, ACTION enlisted the support of celebrities Gavin MacLeod, Jill Whelan, Michael Landon and Melissa Gilbert.

Runaway Youth

Runaway youth projects continued to stress the development of youth shelters and the recruitment of volunteer and professional staffing for them. OPP gave a second-year demonstration grant to Covenant House youth shelter in New York City, which resulted in technical assistance to more than 300 individuals and organizations, and the development of technical assistance materials for other runaway youth programs. Covenant House's successful Under 21 runaway shelter model for youth under 21 years old was replicated in Houston, Texas. The Texas program is primarily funded from private contributions.

Illiteracy

ACTION's literacy effort continued to focus on the role of volunteers in tutoring projects. OPP awarded a continuing demonstration grant to the Assault on Illiteracy Program (AOIP), a coalition of national black organizations to promote literacy among minority youth. The grant enabled AOIP to demonstrate progress sufficient to attract financial support from several major corporations. AOIP convened more than a dozen conferences that encouraged religious institutions, fraternal and other organizations to undertake volunteer literacy programs.

ACTION and B. Dalton Bookseller jointly provided second year funding to the Laubach Literacy International and Literacy Volunteers of America project. That grantee developed and is currently field testing a management training system for community groups that wish to initiate or expand literacy tutorial projects.

Big Brothers/Big Sisters of Nassau County, New York, also received second year demonstration funding from OPP, for the support and further development of a high school program in which juniors and seniors work, on a continuing one-on-one basis with "at risk" single parent grammar school youth.

Other Initiatives

Through the Policy Development Division, ACTION formed an interagency agreement with the Department of Justice for the provision of funds to the National Center for Neighborhood Enterprise (NCNE) in Washington, D.C. The funds enabled NCNE to initiate a project documenting successful community crime prevention programs and to sponsor a conference on alternative educational opportunities for minority youth.

An interagency agreement with the Department of Health and Human Services to Save Cambodia, Inc. enabled that organization to train and assist Cambodian refugees in securing employment in the Philadelphia, Pennsylvania and Washington, D.C. metropolitan areas.

Evaluation Divison

The evaluation Division completed four evaluation activities in FY 1983, including two descriptive analyses of VISTA attrition and volunteer support, a marketing survey of an information brochure on drug use prevention and a program evaluation of the Urban Crime Prevention Program.

The Evaluation Division also published interim reports from three on-going evaluations of the Older American Volunteer Programs. These evaluations continued to measure the impact of the respective program on the volunteers and one measured the impact on the recipients of volunteer services. A descriptive report on YVA goal accomplishment and perceived outcomes was also produced.

Two evaluations with quasi-experimental designs continued on research demonstration projects for testing long-term care services within SCP and RSVP, and on a statewide FGP project providing services to juvenile offenders. These evaluations involved pre-and post-measures with participants and control groups.

VIETNAM VETERANS LEADERSHIP PROGRAM (VVLP)

By September 30, 1983, nearly 50 VVLP programs had received federal funding, with some 3,500 volunteers offering their services to fellow veterans. More and more veterans became involved in programs across the country making notable accomplishments in areas of employment, small business development, fundraising, public relations and other recognition activities and furthering the awareness of benefits and other services available to veterans.

VVLP increasingly brought its leadership to bear on the problems of high unemployment among Vietnam veterans, establishing contacts with many veterans' service organizations, community colleges, state employment services and numerous employers from the private sector. A major result of VVLP's collective efforts was the passage of the Emergency Veterans Job Training Act of 1983, under which employers who train Vietnam and Korean War veterans in high technology fields are entitled to reimbursement for half the veteran's beginning wage. VVLP also established contacts with personnel from the Internal Revenue Service, resulting in the IRS giving special consideration to disabled Vietnam veterans in recruiting and hiring.

Aggressive outreach efforts resulted in an increasingly positive image of the Vietnam veteran. A major endeavor was the production, for viewing on local T.V. and cable network stations, of the documentary, "When their Country Called." The film emphasizes the success of Vietnam veterans in attaining positions of social and professional responsibility and respect following their military service.

Finally, volunteers began to seriously explore ways of continuing VVLP after federal funding runs out at the end of FY 1984. Programs began applying for, and often getting, state, local, corporate and private sector grants.

OFFICE OF COMMUNICATION

The Office of Communication continues to focus on providing information and raising public awareness of agency programs and initiatives.

Specifically, in a nationwide campaign to educate parents to the dangers of illicit drug use by their children, ACTION cosponsored, along with McNeil Pharmaceutical, a subsidiary of Johnson & Johnson, Inc., the Pharmacists Against Drug Abuse (PADA) program. PADA distributes free brochures, through the nation's pharmacists, and sponsors a public service awareness campaign, including T.V. announcements.

PADA launched pilot programs in November, 1982, in Maine, New Hampshire and Massachusetts, with the Office of Communication providing photo and media coverage of kick-off press conferences, as well as stories for in-house publications.

ACTION also cosponsored, with the Benevolent and Protective Order of Elks (BPOE), a nationwide anti-drug campaign which was conducted at the grass roots level by Elks members in their respective communities. The Office of Communication provided media support for campaign kick-off events.

In October 1982, First Lady Nancy Reagan hosted a White House reception to celebrate the publication of her book on the Foster Grandparent Program, To Love A Child. The book chronicles the work of 33 Foster Grandparents who were among a total of 450 FGP volunteers at the reception. Office of Communication staff provided press releases, stories for agency publications and photographic coverage for The White House.

The last of a series of four national workshops on voluntarism, co-sponsored by The White House and ACTION took place in Philadelphia in December 1982. (Workshops took place the previous fiscal year in San Francisco, New Orleans and Chicago), for the purpose of bringing together representatives from the public and private sector as a follow-up to President Reagan's call for expanded volunteer efforts to meet the nation's social and human needs. Office of Communication staff provided workshop books for participants and generated media and photographic coverage.

With the completion of all four workshops, the Office of Communication wrote and published a 65-page booklet which presented some 35 examples from the workshops of successful volunteer efforts and public/private partnerships. A grant from the W. Clement and Jessie V. Stone Foundation covered printing costs and copies were widely distributed within the government to workshop participants and to others involved in volunteer efforts.

The office was also involved in the second annual presentation of the President's Volunteer Action Awards in April 1983 to individuals, organizations and corporations for outstanding volunteer efforts. Staffers provided background information on the winners and on the award events to newspapers and to other publications across the country.

OFFICE OF COMPLIANCE

The Office of Compliance is responsible for overseeing the agency on matters of fraud, mismanagement and misuse of federal funds. It is also responsible for developing, promulgating and implementing all policies and practices with regard to equal opportunity.

The office is comprised of three divisions: The Office of the Director which promulgates policy; the Inspector General Divison responsible for all audits and investigations; and the Equal Opportunity Division which provides an independent, senior level program management and advocacy authority to ensure equal opportunity in all ACTION operations and programs.

Inspector General Division

This division conducts all audits and investigations for ACTION, and in FY 1983 performed a total of 21 audits. These included:

- Five audits of Retired Senior Volunteers Program (RSVP) projects
- Four audits of Foster Grandparent Program (FGP) projects
- Two audits of Volunteers in Service to America (VISTA) projects
- Two audits of Special Volunteer Program projects
- Two audits of Vietnam Veterans Leadership Program (VVLP) projects
- One audit of University Year in ACTION (UYA) project

- One audit of Young Volunteers in ACTION (YVA) project

During the second quarter of FY 1983, staff auditors visited 14 VVLP projects to review their accounting and internal control systems. Recommendations were made to local VVLP project directors, where appropriate, regarding improvements in these systems. During the latter part of FY 1983, contracts were awarded to nine independent CPA firms to conduct 141 audits of Older American Volunteer Program (OAVP) and VISTA projects. Of these, 123 are single program audits which include:

- 68 RSVP projects
- 15 SCP projects
- 21 FGP projects
- 1 VISTA project

Eighteen organizational audits (audits of sponsors administrating more than one program) contracted in FY 1983 involve 15 RSVP, 11 SCP, 21 FGP and 1 VISTA.

During FY 1983 the Inspector General Divison staff initiated and completed 13 investigations. It also:

- Developed audit guidelines specifically tailored to ACTION's program, thereby facilitating future work of the audit staff as well as that of contracted auditors (CPAs) in the field.
- Began implementing a system to identify all audits of ACTION grantees, including those conducted by other federal agencies, state and local governments, contract audit firms, and the grantees themselves.
- Continued the development and implementation of the agency's internal control system in accordance with the provisions of OMB Circular A-123 and the Federal Managers' Financial Integrity Act of 1982.

Equal Opportunity Divison

The responsibility for developing and implementing all policies and practices regarding equal opportunity is vested in the Equal

Opportunity Division. During FY 1983, the divison:

- Continued timely processing of Equal Employment Opportunity complaints of discrimination. At the beginning of FY 1983 the division had a backlog of seven discrimination complaints. During the course of the fiscal year it received five complaints and resolved three of them. As of September 30, 1983, there were nine complaints pending resolution.
- Developed and submitted to the Equal Employment Opportunity Commission (EEOC) the Agency's Multi-Year Affirmative Action Plan.
- Submitted for a review to the Justice Department (JD) an implementation plan to carry out Executive Order 12250, "Leadership and Coordination of Nondiscrimination Laws." the plan is undergoing revisions and will be resubmitted to the Justice Department.
- Prepared and submitted to EEOC and JD for review, ACTION's Prototype Regulation of Section 504 of the Rehabilitation Act of 1973.

- Prepared and submitted to the Minority Business Development Agency, Department of Commerce, information on ACTION's activities in support of minority business enterprises.
- Submitted ACTION's annual report on the enforcement of the Age Discrimination Act of 1975 to the Director, Office of Civil Rights, Department of Health and Human Services.

Office of the Director of Compliance

Section 8(a) of the Small Business Act allows awards of non-competitive contracts to minority-owned businesses. The Office of Compliance implements this act for ACTION.

During FY 1983, ACTION awarded 18 8(a) contracts valued at $730,000. Also awarded during the same period were 19 non-8(a) contracts amounting to $118,000 to minority firms through the competitive or sole source process.

ACTION'S FISCAL YEAR 1982 ANNUAL REPORT

ACTION DIRECTOR'S INTRODUCTION

When President Reagan launched ACTION's new Vietnam Veterans Leadership Program (VVLP) at the beginning of FY 1982, our goal was to establish centers in major cities where Vietnam veterans would be on hand to assist fellow veterans in need of help. Presently there are 38 VVLP offices staffed by more than 1,500 Vietnam veteran volunteers. They have brought to this challenge leadership and professional skills that have made possible the employment of hundreds of their colleagues during this difficult economic period. Additionally, VVLP leadership has done a great service, on a national basis, in correcting false impressions of Vietnam veterans, emphasizing their vitally important contributions to our society.

This year ACTION, in spreading both the word and the deed of voluntarism, co-sponsored, with The White House, three major workshop conferences which brought together 1,200 leaders from all sectors of society to exchange information on volunteer approaches on using private initiatives to solve human needs.

ACTION has also worked closely with First Lady Nancy Reagan's office in the critical field of drug abuse. With private volunteer associations we have sponsored the development of drug education and prevention programs for the young, and in so doing have been in the forefront of exposing drug misinformation too long allowed to take root in the minds of our young people.

VISTA (Volunteers In Service To America) was created nearly 20 years ago to aid the poor. In time, the program became highly politicized. In FY 1981, ACTION re-evaluated VISTA's programs, objectives and practices and returned the program to its original mission of voluntarism in the service of the community, not political activism disguised as a service. Throughout FY 1982, VISTA concentrated more than half of its 500 programs on youth-oriented projects, addressing the problems of literacy, job skills, runaways, drug and child abuse. At the same time, the recruitment of non-paid volunteers has been stressed.

In still another critical area, ACTION—in close cooperation with the Department of Health and Human Services (HHS) and the State Department—has contributed support to the resettlement of refugees, demonstrating the value of volunteers in helping to overcome the newcomers' problems with language, customs and employment.

With less money and better operating methods, ACTION in FY 1982 has helped to mobilize not only a greater number of volunteers in a wider range of activities, but also has created a greater public awareness of the traditional meaning of voluntarism. ACTION's *Good News Report*, which details stories of individual volunteers, is now being carried abroad by the *Voice of America*, because in telling the story of volunteers we are exemplifying American citizens at their best. ACTION's conviction is that Americans can do anything when they join together in voluntary effort. It is toward this goal that the agency's energies and talents continue to be directed.

The spirit of voluntarism is as old as our history and as new as today's volunteer efforts to help those in need. Need has always been with us, and solutions are often found through the actions of those willing and trained to help whether it be within the family, the church or synagogue, the neighborhood, private association or through a federal umbrella agency such as ACTION.

During the past year, ACTION has broadened its reach and expanded its role in its mandate to stimulate voluntarism. ACTION's in-place volunteer programs of long duration, such as the Older American Volunteer Programs, were strengthened by the infusion of more than $25 million in state and local funds.

In FY 1982, more than 18,000 volunteers serving in 237 Foster Grandparent Program (FGP) projects cared for 54,000 disadvantaged children. There is at least one FGP project in every state, the District of Columbia, Puerto Rico and the Virgin Islands.

In our Retired Senior Volunteer Program (RSVP) projects, volunteers served in hospitals, schools, courts, homes and crisis centers in communities across the country and counseled youth troubled with problems of drug and alcohol abuse. Through their contributions, RSVP projects commanded abiding respect and well-deserved praise, for they formed a strong interrelationship between disparate age groups and provided much needed stability. Ten years ago RSVP started with 34 projects and 1,800 volunteers. Today, there are 722 projects supported by nearly 332,000 volunteers.

The Senior Companion Program (SCP), like its OAVP counterparts, has grown from a handful of pilot projects to 80, with nearly 5,000 volunteers who specialize in assisting their contemporaries. As volunteers they provide critical support to the elderly who would otherwise require hospital or institutional care. In doing so, they also provide to the recipient a degree of independence which would otherwise be lost.

We began our Young Volunteers in Action Program (YVA) in FY 1981 with the establishment of a dozen pilot projects to attract students aged 14–22 to short-term volunteer activities within their communities. YVA's overall aim is to mobilize the nation's young people and, through them, to perpetuate the spirit of voluntarism. From the 12 original projects the program has now grown to 75 projects, and the number of volunteers has increased from 3,300 to 15,000. YVA is well on its way and students receive training enabling them to participate in everything from extended day care programs, to crime prevention, to working with the handicapped and the elderly. In numerous locales YVA volunteers are given academic credit for their volunteer work.

Thomas W. Pauken

Thomas W. Pauken

OLDER AMERICAN VOLUNTEER PROGRAM

The Older American Volunteer Programs (OAVP) at ACTION are serving throughout the nation, offering tangible evidence that older Americans can be a vital, strong, caring and effective force in our society.

More than 354,000 volunteers in

the Foster Grandparent, Senior Companion and Retired Senior Volunteer Programs served over 79,600,000 hours during 1982.

The OAVP programs enjoy a dual purpose: they answer not only the need of older Americans to be useful; they are of inestimable benefit to those served. In addition, the nontaxable stipend of $40 per week received by Foster Grandparents and Senior Companions—all of whom are low-income seniors—greatly assists them in meeting their living expenses.

The programs are also extremely cost-effective. If the same services were bought on the open market at the minimum wage, they would far exceed the cost of the volunteer services now supported by the federal government.

OAVP, in an effort to explore ways to expand and to strengthen community involvement under today's economic pressures, is encouraging the private sector to support OAVP's program efforts in their own communities. Private sector involvement can include: establishing nonprofit corporations to serve as OAVP sponsors with multiple-year funding; making corporate contributions to existing OAVP projects to expand volunteer service opportunities and the number of senior volunteers in service; and coordinating with OAVP efforts to involve corporate retirees in community service through pre-retirement seminars and post-retirement recruitment.

Local communities have contributed $14 million toward support of ACTION's three OAVP programs and governors and state legislatures have approved funds in excess of $13 million to assist in operating local OAVP programs.

A Foster Grandparent Program (FGP) Gift Fund has been established to receive private sector donations. Tax-exempt status for the fund has been requested from the Internal Revenue Service. Additionally, the royalties from First Lady Nancy Reagan's book entitled "To Love A Child," by Bobbs-Merrill Company, Inc., and royalties from a Frank Sinatra recording of a song with the same title, are to be used for expansion of FGP.

FY 1982 OAVP STATISTICS*

	RSVP	FGP	SCP
Number of Funded Volunteers:	331,814	18,281	3,977
Number of Projects:	726	237	80
Volunteers—by age:			
60–69	38%	39.8%	50%
70–79	46%	49.8%	44%
80–84	12%	7.3%	5%
85+	4%	3.1%	1%
Volunteer Profile:			
White	83.3%	60.6%	61%
Black (not Hispanic)	11.6%	28.8%	29%
Hispanic	3.5%	7.0%	6%
American Indian/Alaskan Native	0.4%	2.4%	2%
Asian/Pacific Islander	1.2%	1.2%	2%
Sex Breakdown:			
Female	79%	85.4%	83%
Male	21%	14.6%	17%
Handicapped Volunteers:	11%	8.3%	10.6%
Distribution of Volunteers By BHN:			
Health/Nutrition	45.5%	50%	31.4%
Food/Water	0.5%	0%	0%
Knowledge/Skills	8.0%	41%	1.5%
Economic Development/Income	6.0%	0%	11.3%
Housing	1.0%	0%	1.7%
Energy/Conservation	1.0%	0%	0.1%
Community Services	37.0%	9%	53.7%
Legal Rights	1.0%	0%	0.3%

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* All statistics above were derived from the Project Profile and Basic Human Needs Report as of 3/31/82, or the FY 1983 OAVP budget submission.

FOSTER GRANDPARENT PROGRAM (FGP)

The Foster Grandparent Program began its activities in 1965 under the authority of the Older Americans Act enacted the same year. This program, along with ACTION's other domestic programs, now has its own legislative basis in the Domestic Volunteer Service Act of 1973, as amended. According to the Act, the purpose of the program is that of "providing opportunities for low-income persons, aged 60 or over, to provide supportive person-to-person services to children having exceptional needs . . . and children with special needs."

Foster Grandparents, because of the low-income criterion, receive a modest tax-free stipend of two dollars per hour. They serve a 20-hour week, usually in the course of five four-hour service days. The volunteers also receive transportation to and from their homes and the places they serve, usually a noon-day meal, accident and liability insurance coverage while in service and an annual physical examination.

In 1982, some 18,261 FGP volunteers assisted more than 54,000 children on any given day. During the same year, the program expanded from 233 to 237 projects.

Joint Programming

The success of Foster Grandparents has led to various collaborative efforts with other organizations in the social services area. In some larger states such as California and New York, there exist joint programming efforts between FGP, SCP, and RSVP.

In 1982, ACTION entered into interagency agreements with the Department of Health and Human Services (HHS) and the Department of Justice. In the agreements with HHS, ACTION was provided funds to place Foster Grandparents in Head Start settings where they are assigned to children with special or exceptional needs. These funds are evenly distributed among three FGP projects in California, Georgia and Wisconsin.

In two agreements with the Office of Juvenile Justice and Delinquency Prevention (OJJDP) of the Justice Department, ACTION received funds to assign 28 Foster Grandparents to juvenile offenders in juvenile justice settings in Georgia, and to place five Foster Grandparents in similar settings in Washington state.

A third agreement with OJJDP will add 17 Foster Grandparents in juvenile justice settings in Louisiana in FY 1983.

Program Impact

Perhaps the most convincing evidence of the program's popularity lies in the fact that 40 states have provided funds to expand Foster Grandparent Program activities within their jurisdictions. Their enthusiastic and loyal support easily doubles the 10 percent local funding required by law in order to receive federal assistance for a project. Community organizations, too, have warmly welcomed the program. Having experienced its benefits, almost all volunteer stations have requested additional volunteers.

Program Activities

At the Denton State School in Denton, Texas, 14 of the original 93 Foster Grandparents have been serving since the project became one of the 21 charter projects 17 years ago. The turnover last year was a remarkably low six percent. Because Denton is a rural project, many Foster Grandparents commute as far as 90 miles each day. Several inventive approaches have been adopted by the 93 Grandparents at Denton. For example, Foster Grandparents conduct a ceramics shop where children receive individualized instruction and make a variety of items—the most popular, lifesized cowboy boots. The volunteers also square dance with the children and often perform at senior centers and local colleges. Children who are wheelchair-bound form a separate square dance group; they are pushed through intricate patterns by the Grandparents. The group is called "The Spinning Wheels." Other Foster Grandparents take their Foster Grandchildren fishing in the stocked pond on the Denton campus.

The juvenile justice component of the Los Angeles, California Foster Grandparent Program assigns nine Foster Grandparents to Central Juvenile Hall and nine to the Dorothy Kirby Center. Both facilities are administered by the Los Angeles County Probation Department. At the center, 10 youths live in each of 10 cottages. They are serving sentences for assault, rape, murder and other serious crimes. The Foster Grandparents assigned to the center often provide the juvenile offenders with their first positive adult relationship.

Training

Foster Grandparents receive 40 hours of pre-service orientation and an additional four hours of monthly in-service training.

RETIRED SENIOR VOLUNTEER PROGRAM (RSVP)

The Retired Senior Volunteer Program, originally authorized in 1969, was established to provide a variety of part-time volunteer opportunities for persons 60 years and older to participate more fully in their communities. The program is based on the premise that older Americans are a significant resource in this country, and that worthwhile volunteer service opportunities can be developed for them in response to locally identified community needs.

In FY 1982, there were 722 projects with more than 320,000 volunteers. Individuals volunteered nationwide at more than 25,000 community agencies located in more than one-fourth of all counties. RSVP volunteers contributed more than 58 million hours of service which, even at minimum wage rates, would be valued at over $190 million.

The profile of a volunteer varies. In FY 1982, 21 percent were male, 79 percent female. Thirty-eight percent were age 60 to 69, 46 percent were 70 to 79, and 16 percent were 80 years of age and over. Eighty-three percent were white, the remaining 17 percent were members of minority groups.

RSVP In Action

The number of RSVP volunteers increased significantly in FY 1982 from 300,000 to nearly 332,000. Before starting their service, volunteers received orientation about the program and the community organizations through which they serve. Specific assignment-related training is provided by volunteer stations. Volunteers are assisted with transportation costs. Accident and liability insurance are provided. For those who wish to serve, it is easy to find out about the program through printed materials, speakers, friends at senior centers, meal sites or referrals by social service agencies.

RSVP enjoys enormous local support and has become an integral part of the social service network wherever it is located. Forty percent of the total budget comes from the local community, clearly an indication of strong commitment to the program and its goals.

In FY 1982, the agency provided the regions with funds for special programming efforts in the areas of service to youth, inflation-fighting, long-term care and crime prevention. These funds were used to recruit RSVP volunteers working in those fields.

Demonstration Projects

RSVP has also become involved in demonstration projects designed to develop ACTION's understanding of long-term care issues, and the impact volunteers may have in the provision of services to persons in need of long-term care in their homes. Two RSVP projects were funded expressly for the purpose in Cleveland, Ohio and in Elbow Lake, Minnesota. Both include research and evaluation components.

Program Activities

RSVP projects illustrate to a high degree the ways in which community needs can be met by volunteers. The following examples of RSVP activities only begin to suggest the tremendously diverse services in which volunteers are involved all over the country.

In Bellingham, Washington, the Literacy Council of Washington State has trained 11 RSVP volunteers who are presently working with refugees of all ages, contributing four hours a day, twice a week. In the same project, four volunteers are assigned to the Bellingham Vocational Technical Training school as tutors working with young adults who have problems with reading and writing.

In Detroit, Michigan, 14 RSVP volunteers are assigned to the Travelers Aid Program at the Greyhound Bus Depot and the Metropolitan Airport. Volunteers provide counseling and referral services such as directing young runaways to half-way houses and social service agencies for immediate needs such as food and medical care.

In San Antonio, Texas, RSVP volunteers are assigned to the Senior Employment Service, a job referral program. The service has one paid staff worker and 20 RSVP volunteers who are helping older people find employment in the community. The volunteers serve as recruiters and interviewers and work with the private sector to develop jobs and place people. In one year the volunteers placed 700 applicants.

Joint Programming

RSVP looks to other community programs for collaboration wherever appropriate and feasible. Within ACTION, RSVP is involved in joint programming with the Foster Grandparent and Senior Companion Programs. Other examples of cooperation are the thousands of RSVP volunteers providing support to numerous nutrition, Head Start and day care programs in collaboration with the Department of Health and Human Services, as well as RSVP volunteers' involvement in the Juvenile Justice Program of the Department of Justice.

SENIOR COMPANION PROGRAM (SCP)

The Senior Companion Program provides volunteer opportunities for low-income Americans 60 years of age and older. Authorized in 1973, SCP enables older people to play a critical role in moderating some of the disadvantages of growing old alone, afraid and frail.

The program coordinates and places volunteers through direct-service health care providers, social service agencies, and federal and state long-term care networks. SCP volunteers assist older people who are chronically homebound and in risk of being institutionalized. They also assist clients in discharge programs of acute care hospitals, mental health institutions and other long-term care facilities, by easing the transition and adjustment to living in the community. In all settings, Senior Companions serve as personal representatives, linking clients to appropriate services and ensuring that they receive the benefits to which they are entitled.

Senior Companions, who usually serve 20 hours per week, receive an hourly stipend of two dollars. Transportation assistance, meals on days when they volunteer, annual physical examinations, and accident and personal liability insurance are also provided to them.

Program Activities

SCP volunteers throughout the country have helped strengthen the capacity of vulnerable older people to live independently in their homes and avoid institutionalization.

Nineteen of 110 Senior Companions in Scranton, Pennsylvania, provide respite care to 35 families. Respite care is relief service for those who are responsible for the 24-hour-care of a family member. In one example of the importance of a Senior Companion to a family, [illegible] 75-year old wife who took daily medication for high blood pressure, was the primary care giver to her 77-year old husband with Alzheimer's disease, an organic brain syndrome. The 64-year old Senior Companion, a former bartender, took the client for walks, on shopping trips and out to lunch. He also encouraged him not to watch television constantly. The volunteer suggested that the wife buy her husband a dog for additional companionship. The man enjoys the dog tremendously. The wife no longer needs her medication.

In Mobile, Alabama, 100 Senior Companions are actively engaged in efforts to improve the quality of life for their clients. One Senior Companion discovered that her widowed client was not receiving her late husband's Social Security because—since her husband had been illiterate—he had misspelled his name on the Social Security forms. The widow had been denied checks since his death in 1972. The Companion cut through elaborate red tape and finally resolved the situation. The widow is now receiving 10 years' worth of back checks. The Senior Companion also discovered that this woman had been paying on five different insurance policies for 16 years. She took her client to a legal services lawyer and the policies were consolidated into one, which considerably lowered the payments.

Demonstration Projects

During 1982, five long-term care research demonstration projects were initiated. Interviews of volunteers, clients and control groups will measure the effect of Senior Companion service on the volunteers and persons served. Several projects will be testing the impact of respite care. The agency also will be studying the differences between various types of service models, including RSVP.

OFFICE OF VOLUNTEER LIAISON

In Fiscal Year 1982, the Office of Volunteer Citizen Participation (OVCP) was formally reorganized as the Office of Volunteer Liaison (OVL). This change came as a result of the separation of Peace Corps and ACTION, which eliminated five joint program functions: Peace Corps Partnership; Former Volunteer Services; Development Education; Information Collection and Exchange; and Domestic Development Services. In addition, the Support Service Assistance program became the Technical Assistance Program (TAP), and all refugee activities were transferred from OVL to the Office of Policy and Planning. Four new divisions were organized within OVL:

- **Technical Assistance**
- **Public/Private Initiatives**
- **Information Exchange**
- **Interagency Projects**

Of special note is that the office incurred a substantial reduction of funds in FY 1982, resulting in restrictions on grant awards and new program initiatives. Funding of the State Offices of Voluntary Citizen Participation (S/OVCP) accounted for most of OVL's resources. Based on its reorganization and level of funding, OVL was involved in the following activities in FY 1982:

Technical Assistance

The Technical Assistance Division administered the Mini-Grant, S/OVCP and Technical Assistance programs. The division also assisted with ACTION's planning and observance of the annual National Volunteer Week (NVW) events. It coordinated with and assisted 40 other federal agencies in Washington in planning NVW activities. These ranged from providing posters and slide shows to recruiting federal volunteers for activities throughout the year. Due to fiscal restraints there were no grant awards for either the Technical Assistance or Mini-Grant programs in FY 1982.

S/OVCP Program

State Offices of Voluntary Citizen Participation are located in 26 states, a majority in governor's offices. They assist state and local agencies, elected officials, private non-profit organizations and groups, as well as the business sector in the development, coordination, training and administration of effective volunteer and citizen participation programs. In FY 1982, ACTION funded two new state offices, bringing the total number to 28. Eleven of these were funded by ACTION grants; the remaining ones received state funds.

In addition to providing funds to establish state offices, the S/OVCP program offers support to all of its offices through an annual staff training event and regular mailings regarding national trends in volunteering. Examples of FY 1982 projects include:

- Volunteer Information Coordinators.

Working with the Idaho Volunteer Recruitment Month Task Force, OVL has promoted local volunteer recruitment in 33 counties. In conjunction with the campaign, 20 volunteer information coordinators were recruited to serve as temporary community volunteer clearinghouse coordinators. In four additional counties the S/OVCP is assisting with the establishment of permanent volunteer skills banks.

- Statewide Computerized Volunteer Clearinghouse.

Funded for its first year in 1982, the Alabama OVCP conducted a statewide survey of 7,000 service-providing agencies, determining their technical assistance needs and capabilities. The computerized responses to the survey are forming the data base for matching the technical competence of volunteers to those in need of assistance. The data bank is categorized among 12 skill components, including planning, fiscal management and recruitment. Over the next four years a statewide network of volunteer consultants will be developed to assist non-profit organizations in need.

- Blindness Prevention.

The S/OVCP has taken over the Prevention of Blindness Program that screens and refers children across the state. Using video tapes, they are able to train local volunteers to administer the program, saving the state approximately $20,000 a year.

Public/Private Initiatives

A major part of OVL's new activities was accomplished in the area of public/private initiatives in FY 1982. The focus of these initiatives centered around two programs: Voluntarism and the American Way of Life, and the ACTION Institute.

Voluntarism and the American Way of Life

A series of conferences was designed to introduce foreign nationals studying at U.S. colleges and universities to the American concept and practice of voluntarism and American voluntarism's relationship to the basic concepts of American society.

The prototype for these conferences (which will continue during the first three quarters of FY 1983) was held in 1982 at George Washington University in Washington, D.C. Among the speakers were ACTION Director Thomas W. Pauken, Robert Woodson of the National Center for Neighborhood Enterprise, and 11 other experts from academia, government, the press and national research organizations.

The program has been funded for FY 1982 and 1983 through an interagency agreement with the International Communications Agency (ICA), and specifies reaching 800 or more students through these conferences.

The ACTION Institute

Since December 1981, the Office of Volunteer Liaison, through the ACTION Institute, has been reaching out to America's leaders in the private and volunteer sector to promote sound growth and provide encouragement in the volunteer community.

With The White House, ACTION has co-sponsored regional workshops in San Francisco (December 1981), New Orleans (March 1982) and Chicago (June 1982). These meetings brought together over 1,200 leaders from business, government and the private, non-profit sectors. Participants exchanged information about partnerships and other volunteer approaches that emphasize private, local initiatives.

In San Francisco, Levi Strauss showed corporate volunteering to be part of its mission. Employees are encouraged to work with non-profit groups in areas it serves. This message was heard by dozens of corporate representatives, many of whom are in the process of starting volunteer programs in their companies.

In Chicago, a private citizen from Midland, Texas, told how neighbors could rehabilitate homes for the poor at virtually no cost.

In New Orleans, Operation Mainstream, a privately funded organization, explained the urgent need to intensify adult literacy education. As a direct result, the state of Louisiana, through the governor's office, has placed stronger emphasis on literacy.

At the workshops, attendees heard from corporate executives who described examples of business-community cooperation. These executives forthrightly detailed initiatives they have undertaken to help mend the social fabric of their communities. These presentations added new force to similar approaches to volunteer programs that are being undertaken throughout the nation. The parents' movement to curb drug abuse also was able to build momentum in the three areas of the country where workshops were held.

Support for sound voluntarism simply extends well-established notions of philanthropy to which business subscribes. Self-help programs, largely free of government assistance, are becoming more popular and they are taking firm root in neighborhoods from coast-to-coast. These themes were important stimuli for action that participants took away from the three ACTION/White House workshops.

Information Exchange

Two new agency initiatives developed within the Information Exchange Division in FY 1982, were:

- development of a computerized Volunteer Information Network databank;
- acquisition of the *"411" Community Resource Tie Line,* which, used with the computer databank, created a clearinghouse on model volunteer programs, including data on all activities funded by ACTION.

Volunteer Information Network (VIN): Computer Databank

During FY 1982 the computer databank was designed and programming was started. Ultimately it will serve two purposes: It will create computer software which can be used by communities to match volunteers to volunteer user/provider agencies and it will provide ACTION with an internal resource of updated information on ACTION and other model volunteer programs. This information will be retrievable in various ways, either by state, by congressional district within a state, by volunteer skills used, by major program interest or other criteria.

By the end of FY 1982, 600 volunteer program profiles had been entered into the computer memory banks, including 166 RSVP, 70 FGP, 34 SCP and 20 other projects funded by ACTION. In addition 323 profiles were stored in memory as examples of model volunteer activities from around the nation.

"411" Community Resource Tie Line

ACTION adopted the Four-One-One System, a volunteer information clearinghouse which had been successful in the private sector, to ensure that community leaders at the local level receive visible support and as much encouragement and assistance as possible. This system is now part of the Volunteer Information Network, along with the computer databank. Local leadership is provided with technical information from VIN to enable the leadership to involve more volunteers in a variety of community-based programs.

Efforts were made during the year to develop interagency support for this body of information in order to improve the federal government's delivery of this type of technical assistance.

Interagency Projects

While each OVL division either worked on or with some type of inter-agency agreement, the main interagency activity continued to come from the Community Energy Project (CEP).

Community Energy Project

This project was created in 1980 to assist local communities in undertaking short-term voluntary energy conservation projects similar to a successful pilot effort in Fitchburg, Massachusetts. The program is supported by funds from the U.S. Department of Energy through an interagency agreement. CEP works with a limited number of communities throughout the country, providing modest financial support in the development and implementation of their projects; at the same time, CEP provides written information and technical assistance by mail or telephone to any community that wishes to launch a volunteer effort in low-cost/no-cost energy conservation.

During the latter part of FY 1982, CEP began promoting two newer approaches to energy conservation as authorized by the interagency agreement. In addition to the original CEP grant, called "CEP-I"—the traditional low/no-cost residential energy project that takes place in one community—OVL promoted:

- *CEP Multiplier* projects which generate CEP-I activities in several communities throughout a state or region, but under one grant. These grants are generally for larger amounts than the CEP-I's, but less than if each community had received a CEP-I individually.
- *CEP-II* which applies the community-wide, volunteer mobilization approach to other innovative, low/no-cost conservation activities.

Gallup, New Mexico's Water Conservation Project (CEP-II)

During a four-month period in the summer of 1982, Gallup conducted a water conservation campaign that touched virtually every household in the community. Over 6,000 kits containing water-saving devices and educational materials were distributed door-to-door by 160 volunteers; "how to" workshops on water conservation techniques were conducted throughout the city by trained volunteers; teams of volunteers installed water-saving devices in the homes of the elderly and disabled; and the entire project was fully publicized. Local business, civic groups, media, service organizations and governmental bodies were all instrumental in the success of the project. The city projected that over 40 million gallons of water would be saved annually—a cost savings of over $112,000.

Every community in the country has access to the necessary human, technical and financial resources to undertake an energy conservation project. ACTION's CEP helps by guiding and assisting all interested communities to find the way to tap these resources and volunteers from the public and private sectors.

OVL STATISTICS—FY 1982

TYPES OF GRANTS

EMPHASIS	Mini-Grants	Tech. Asst.	Special Projects
Energy	16	4	CEP
Mobilization of Volunteers		4*	ACTION Institutes and Voluntarism and The American Way of Life
State Office of Voluntary Citizen Participation			
Locally Funded Offices		17	
ACTION Funded Offices		11	
Total		28	

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* Note that this is the number of program conferences. No federal grants were awarded.

VOLUNTEERS IN SERVICE TO AMERICA (VISTA)

VISTA has been in operation since 1964. The intent of the legislation establishing VISTA was to create a program to help poor people better cope with poverty-related problems. Since 1981, volunteers have been recruited locally by sponsors within the community and each volunteer costs the government approximately $7,000 per year in support and benefits. Until 1981, VISTA attracted controversy as a result of the political role of some of the organizations it supported.

Following the election of President Ronald Reagan, a profound rethinking of the federal government in the life of the community occurred. In ACTION, this process led to the re-evaluation of the VISTA program, its objectives and its practices. This critical review focused on the twin issues of voluntarism in the service of the community and political activism disguised as service to the community. As a result, the decision was made to take steps to depoliticize VISTA, as a short-term objective, while measures were undertaken which aimed at eventual phasing out of the program.

The decision to take these steps was paralleled by the director's determination to add emphasis to the recruitment of non-stipended volunteers in contrast to the paid volunteer service of VISTA. In line with this new philosophy at ACTION, the following steps were taken:

FY 1982 VISTA STATISTICS

A. Number of VISTA Volunteer Service Years	2,227
1. Sex Ratio (%)	
Male	30
Female	70
2. Age (%)	
18–27 years	30
28–35	19
36–59	39
60 and over	12
B. Expenditures—FY 1982	
Volunteer Support	13,610,000
Training	394,000
Project Support	1,299,000
Grants	687,000
Evaluation	10,000
Total	16,000,000
C. Number of VISTA Projects (as of September 30, 1982)	498
D. Number of Volunteers (as of September 30, 1982)	2,272

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1. All volunteers are locally recruited as opposed to the previous administration's use of nationally recruited volunteers, who were more easily used for political activities because of their temporary status in the communities in which they served.
2. Legal limitations were published in the Federal Register restricting project sponsors from approving volunteer involvement in demonstrations.
3. For the remaining period of VISTA's operation, increased control and careful scrutiny will be carried out by the state, regional and national offices of ACTION with respect to all current and proposed projects.

   Emphasis is being placed on projects which have the strong potential of being continued by their communities after VISTA resources are withdrawn.

FY 1982 OPERATIONS

In FY 1982, the number of VISTA projects decreased from 664 at the start of the fiscal year to 498 on September 30, 1982.

Youth-oriented projects addressing the problems of child abuse, runaways, job skills, drug abuse, etc., accounted for 54 percent of the total projects. Literacy and drug abuse as separate categories were each 18 percent of the total. Other areas of activity were service to the elderly at 14 percent, and food banks at nine percent.

NATIONAL CENTER FOR SERVICE LEARNING (NCSL)

During FY 1982, the National Center for Service Learning continued to provide free training, resource materials and technical assistance to high school, college and community staff personnel who direct, plan and develop student volunteer programs.

Thousands of college and high school students presently work as volunteers in a wide range of community service programs such as companions to senior citizens, tutors in literacy projects, or as workers in energy conservation, crime prevention and neighborhood improvement. The goal of NCSL is to increase the number of such volunteer programs through the services it offers.

NCSL does not determine local needs, fund programs or place volunteers. Rather, it concentrates on training and assisting the people who run student volunteer projects. This strategy enables communities to reap immediate benefits from students who serve while in school, and long-term benefits as students leave school and follow the pattern they established as young students—that of their involvement in community affairs.

NCSL sponsors seminars and workshops for educators and community agency staff members who work in service-learning programs or wish to develop them. A variety of training seminars are available to suit specific needs:

- ***High school and college seminars*** are designed to help educators and community agency personnel develop and implement new service-learning programs. Experienced practitioners present the basics of program management, including identifying community needs, developing volunteers jobs, recruiting and retaining student volunteers, monitoring project progress and building program support within the school community.

- ***Topical seminars*** are for high school and college educators and agency personnel who already have basic program management skills and experience working with volunteers. Each seminar examines a major issue of special interest to the group.

- ***Community involvement seminars*** focus on the community's needs and on the benefits that agencies and community-based groups can derive from student volunteer programs. It explores how community groups view their own problems and needs how they perceive student volunteers and how the community's perspective can influence the design and management of a service-learning program.

- ***Program evaluation seminars*** discuss basic issues in evaluating the service and the learning components of student volunteer programs and, by using examples of successful program evaluations, assist participants in developing their own evaluation designs.

Although direct training is the major focus of NCSL activity, the center also publishes and distributes a number of "how to" booklets and manuals for program planners and managers, as well as providing consultants for short-term assignments to help solve specific problems associated with running student volunteer programs.

YOUNG VOLUNTEERS IN ACTION (YVA)

The Young Volunteers In Action (YVA) program was developed in 1981 with the funding of 12 demonstration projects. The new initiative was designed to involve students, ages 14–22, in non-stipended, sustained and short-term volunteer service.

The YVA guidelines state that a grant of $20,000 will be awarded for 10,000 hours of service involving 200 volunteers. The local match is a 10 percent, in-kind contribution the first year and 25 percent the second year. Maximum federal funding does not exceed 24 months.

There is a need to provide the community with a volunteer service, involving low-income youth as volunteers and working with the low-income population. The overall goal of YVA is to ensure that the efforts of the nation's youth are mobilized in a focused, effective way to capture and perpetuate the spirit of service.

The initial 12 projects involved 3,300 youth who gave 82,000 hours of volunteer service the first year. The communities have been enthusiastic about the services rendered. In FY 1982, YVA expanded to 75 programs with 15,000 youth giving approximately 750,000 hours of service.

Students are trained and placed in volunteer positions in their community. This helps students to develop skills, leadership and experience to be used in future employment. YVA assists students by offering them meaningful and productive use of their free time. Other aspects of the program include on-the-job insurance coverage, development workshops and participation in recognition activities.

Community support and acceptance for YVA has been evidenced by the involvement of local civic groups and local government representatives on the board of directors of local YVA projects. Active community support involvement includes, but is not limited to, generating local resources to sustain the YVA project without federal funds.

Of the 75 active YVA projects 16 were funded as part of an interagency agreement between ACTION and the Administration For Children, Youth and Families of the Department of Health and Human Services (HHS). The purpose is to demonstrate that youth serving as volunteers make a significant contribution to children and the families of children in Head Start, day-care and extended day care programs, as well as to handicapped and minority youth.

In addition, two of the 75 YVA projects are funded as part of the interagency agreement between the Office of Juvenile Justice and Delinquency Prevention of the Department of Justice. These programs demonstrate that youth in the justice system or youth who have been identified by the juvenile system, can contribute to their communities and personal growth through volunteer service. For example, the St. Louis Public Schools Law and Education YVA Project is sponsored by the Phi Alpha Delta Law Fraternity International Juvenile Justice Office. The Law and Education Project, a permanent unit of the St. Louis public schools, provides law-related education to all students from kindergarten through 12th grade. The project provides a mechanism for structuring youth volunteer involvement in needed areas relating to the law, such as crime prevention.

SUPPORT OFFICES

OFFICE OF ADMINISTRATION

In order to separate the functions of administration and financial matters, the Office of Administration and Finance was reorganized in early FY 1982 into two entities: the Office of Financial Affairs/Comptroller and the Office of Administration.

In FY 1982, the Office of Administration worked on the separation of Peace Corps from ACTION. Since the organizations providing support functions for ACTION and Peace Corps were split, a major effort to meet the demands of both agencies and to ensure a smooth transition was an ongoing task throughout FY 1982.

A substantial Reduction-In-Force (RIF) was implemented this fiscal year, which impacted on nearly every office in the agency. The multitude of personnel requirements as well as counseling services for affected employees were carried out during the RIF period.

The planning and implementation of substantive changes in agency organization necessitated by both the separation of Peace Corps and the RIF were also carried out in FY 1982.

The Computer Services Division of the Office of Administration worked closely with the Office of Financial Affairs/Comptroller in developing and putting in place a Grants Management Information System, which will provide important information—both programmatic and fiscal—to several levels of agency management.

THE OFFICE OF FINANCIAL AFFAIRS/COMPTROLLER

The Office of Financial Affairs/Comptroller, organized in FY 1982, brings together all financial management functions of the agency. Because of the separation of the Peace

Corps from ACTION, and the subsequent division of the accounting and contracting records of the two agencies, the opportunity existed to establish an office consolidating the interrelated functions of accounting, budget and grants management activities.

The Accounting Division is responsible for all agency financial records, payroll, payment of obligations incurred and related fiscal services. Access to the automated data base is found both at headquarters and, through intelligent data terminals, in each regional office. The major achievement of the division during FY 1982 was the successful splitting of the agency's accounting system from that of the Peace Corps.

The Budget Division is responsible for the formulation and presentation, and for overseeing the execution of the agency's budget. Throughout the year, the division successfully managed the complexities arising from the Peace Corps' separation and provided top management with the needed guidance to complete the year without having to impose extreme measures to keep the agency from overspending its funds.

The Contracts and Grants Management Division is responsible for the awarding and administration of all contracts and grants initiated by headquarters' offices. The division is responsible for the development of all procurement policy and procedures for the agency. A major accomplishment of the division during the year was the development, in conjunction with the Office of Administration, of an automated Grants Management Information System that provides financial and programmatic statistical information on all grants awarded by the agency.

OFFICE OF POLICY AND PLANNING

The Office of Policy and Planning (OPP) is responsible for developing new policy directions for the agency and for implementing them through demonstration grants and through guidance to other agency offices. OPP is further charged with the agency's planning, budget policy and evaluation functions.

During FY 1982, OPP set forth new policy directions for ACTION that reflected the need to return to American citizens a sense that they, not the government, have the primary responsibility for solving social problems. To encourage assumption of this responsibility, ACTION has promoted duplication of model volunteer programs by private as well as public sector groups.

A second major accomplishment of OPP in FY 1982 was to turn the agency's attention to serious social problems which are subject to solution through volunteer efforts. Among those problems, OPP identified, developed and began to implement responses to the severe problems of many young people—victims of drug abuse or illiteracy, runaways or homeless youth. Part of ACTION's strategy is incorporated in a new approach to service learning, the Young Volunteers in Action (YVA) program which was designed by OPP in FY 1981 and became fully operational in FY 1982. ACTION also began to address other areas amenable to volunteer solutions such as neighborhood development, citizen crime prevention and food banks for the needy.

In addition to leadership in policy development in the problem areas mentioned above, OPP advises ACTION on the design of programs which address the needs of, and encourage volunteer leadership among Vietnam veterans and Indochinese refugees.

Planning Division

The Planning Division is responsible for ACTION's planning systems, including those used by management to develop goals, objectives and short-term and long-term plans. The division also develops, implements and monitors the process whereby agency management establishes the Current Year Operating Plans (CYOPs) and associated budgets.

A major accomplishment of the division in FY 1982 was the establishment of the Agency Information Resources Management process. This system will ensure that ACTION remains responsive to the government-wide requirements under the Paperwork Reduction Act of 1980 and related directives from the Office of Management and Budget (OMB).

Policy Development Division

During FY 1982, OPP's Policy Development Division targeted its grants to several key areas: drug use prevention; runaway youth; illiteracy; and neighborhood initiatives. The grants were designed to provide seed money to innovative volunteer programs and to stimulate public-private partnerships. Among the accomplishments in these areas are:

Drug Use Prevention

Drug use prevention projects focused on the role of parents educating themselves, their communities and their children regarding the dangers of drug use. Technical assistance was provided to voluntary parents' organizations and major community institutions working with youth.

Funded projects included Parent Resources and Information for Drug Education (PRIDE) of Atlanta, Georgia, which assisted parents nationwide in forming new parent groups by operating a toll-free telephone line and responding to requests for information. In addition, parent group networks were formed in ten metropolitan areas. The National Federation of Parents for Drug Free Youth in Washington, D.C., sponsored its first annual conference entitled "Drug and Youth: An American Crisis." The American Council on Marijuana and Other Psychoactive Drugs (ACM) in Rockville, Maryland, condensed technical information on marijuana and other illicit drugs into brochures for distribution by ACTION to volunteer parent groups.

Runaway Youth

Runaway youth projects focused on promoting the proliferation of youth shelters and training of professional personnel to recruit and utilize volunteers. Convenant House of New York City established a small, multidisciplined research and development department that is available, full-time, to assist communities in providing new or improved services for runaway and homeless youth. In addition, Convenant House successfully replicated its shelter model in two other cities.

The National Youth Work Alliance (NYWA) of Washington, D.C., trained 120 runaway center personnel attending workshops in the District of Columbia, New York, Ohio, and North Carolina. NYWA also provided technical assistance on voluntarism to

310 agencies, individuals, and organizations who provide service to runaways.

Illiteracy

The ACTION literacy effort focused on the utilization of volunteers in tutoring and other voluntary approaches to illiteracy. Big Brothers and Sisters P.T.A. Program of Nassau County, Inc. in Hempstead, New York, utilized high school juniors and seniors as volunteers to work with needy grammar school children on a consistent, one-to-one basis. Principal outcomes for the child beneficiaries included reduction in truancy and tardiness and improvement in study habits and academic performance.

With support from ACTION and B. Dalton Bookseller, the Laubach Literary International and the Literacy Volunteers of America formed a partnership to develop a management system for the establishment of a volunteer literacy tutorial program designed to prepare training materials, to field-test them and to provide management training to leaders of literacy volunteer groups.

The Assault on Illiteracy Program, a coalition of national black organizations formed to promote literacy among minority youth, received ACTION funds to develop literature for use in its tutoring program.

Other Initiatives

Demonstration grants were also awarded for a public/private partnership project and continued funding was provided for a deinstitutionalization project. The National Center for Neighborhood Enterprise (NCNE) in Washington, D.C. provided technical assistance to voluntary grassroots organizations to help them develop proven problem-solving techniques and management and business plans, assess informational needs and share information.

South Central Montana Regional Mental Health Center in Billings, Montana, utilized volunteers as case managers for chronically mentally disabled persons discharged to home and community care, who were otherwise at risk of reinstitutionalization.

During FY 1982, research was conducted on voluntarism, with a priority in the areas of drug use prevention, runaway youth, and illiteracy and other social problems responsive to voluntary activities. Summaries of leading books and articles relating to the priority areas were prepared. Research papers were prepared on the following topics: history of voluntarism; home health care; food banks; block grants in education and health, and the role of volunteers in those programs. An analysis of the Independent Sector's poll, "Americans Volunteer 1981" was completed.

Evaluation Division

Most of the work accomplished by the Evaluation Division in FY 1982 was the implementation of ongoing evaluations. These evaluations continued to measure the impact of the respective programs on the volunteers, and some measured the impact on the recipients of volunteer services. Equivalent comparison groups were used in each evaluation.

Evaluations with quasi-experimental designs were begun on research demonstration projects for testing long-term care services within SCP and RSVP, and on a statewide FGP project providing services to juvenile offenders. Both of these evaluations involve pre- and post-measures with participants and control groups. The descriptive evaluations of YVA and the Head Start components of RSVP and FGP demonstrations were begun with the plan to do related impact evaluations starting in FY 1983.

Very few reports were planned for release in FY 1982 due to the longitudinal nature of most of the evaluations. Two reports were released on the Community Energy Project. Some of the significant findings in those reports were:

- Many local government entities and community organizations took the lead in organizing local Community Energy Projects in four communities participating in the evaluation.
- Participants in the local pre- and post-test workshops displayed marked increase in their favorable attitudes toward and knowledge of energy conservation measures.
- Workshop participants reduced energy consumption significantly more than nonparticipants.
- Low cost/no cost measures for conserving hot water and sealing air leaks make a significant contribution to energy savings.
- The Community Energy Project was highly effective in introducing low cost/no cost energy conservation measures.
- The Community Energy Project was especially effective in introducing low cost/no cost measures to minority populations.

VIETNAM VETERANS LEADERSHIP PROGRAM

The Vietnam Veterans Leadership Program (VVLP) has been developed as a separate agency project with cooperative agreements with the Department of Health and Human Services and the Department of Labor. The program also operates in close coordination with the Veterans Administration and veterans' service organizations. In its first year, VVLP has expanded to nearly 40 local programs across the country in which over 1,500 successful Vietnam veterans have stepped forward as volunteers to assist their fellow veterans experiencing lingering difficulties associated with their service to the country.

VVLP volunteers use their leadership and professional skills to encourage Vietnam veterans to fully utilize the resources available to them, to develop job opportunities for veterans, to counsel and assist veterans in small business development and a host of other tasks. Each program is based on an assessment of the needs of veterans in the local area and tailored to address those needs with volunteer resources.

Notable successes include the operation of several job bank efforts, establishment of networks of successful veterans providing pro bono assistance to fellow veterans, seminars on small business development and numerous public observances recognizing the service of Vietnam veterans.

OFFICE OF COMMUNICATION

With the separation of Peace Corps from ACTION in January 1982, and with the transfer of the corresponding recruitment functions to Peace Corps, the Office of Recruitment and Communication was restructured as the Office of Communication. Consequently, the dual functions of recruitment and public awareness were carried out only through the first part of the fiscal year, with recruitment activities for ACTION being taken over by the individual agency programs as of February 1982.

All recruitment personnel and approximately half of the communication staff were transferred to Peace Corps. The remaining staff turned its attention to communicating information and raising public awareness of all ACTION programs, with special emphasis on new programs and new initiatives. This support came through news releases, publications, films, slide shows, posters and brochures.

Major communication efforts were carried out in support of the growing Young Volunteers in Action and Vietnam Veterans Leadership Programs, as well as ACTION's Drug Use Prevention Program. In each case, the Office of Communication produced news releases, posters, brochures, fact sheets, and, for the VVLP, a 30-minute film.

As part of ACTION's Drug Use Prevention Program, the agency cosponsored the White House Briefing on Drug Use, a day-long meeting in March, hosted by First Lady Nancy Reagan and attended by members of parents groups, corporate leaders, physicians and White House and ACTION staff, to discuss ways to combat drug use by the youth of America. The Office of Communication provided extensive materials, publicity, and produced a brochure and a slide show on the subject.

During FY 1982, ACTION led the celebration of National Volunteer Week—NVW—(April 18–24, 1982) among federal agencies and departments. Press releases were distributed nationwide as was a poster and agency publications detailed the event for their readers. A high-visibility "festival in the park" was held at Farragut Square in Washington, D.C., with other federal agencies and numerous private volunteer organizations participating to increase awareness of voluntarism.

Timed to coincide with National Volunteer Week, President Reagan announced the first annual President's Volunteer Action Awards, presented to individuals, organizations and corporations for "outstanding volunteer achievement." The office was instrumental in providing background information for both the awards and NVW events, to newspapers and publications throughout the country.

In December 1981, ACTION and The White House co-sponsored the first of a series of national voluntarism workshops in San Francisco, California. A second workshop in March 1982, in New Orleans, and another in June in Chicago, brought together representatives from the public and private sector as a follow-up to President Reagan's call for expanded volunteer efforts to meet the social and human needs facing the nation. Staff of the Office of Communication prepared workshop books for participants, generated media and photographic coverage and began work on a book covering the activities of the workshops.

OFFICE OF CONGRESSIONAL AFFAIRS

The major function of the Office of Congressional Affairs (OCA) is to represent ACTION and its programs on Capitol Hill and to inform members of Congress and committee staffs of the agency's activities. OCA monitors all legislation affecting ACTION and maintains close ties with the many committees and subcommittees that have oversight jurisdiction over the agency.

During FY 1982, OCA, along with other offiices, worked toward obtaining an appropriation for ACTION for FY 1983. OCA also obtained an emergency FY 1982 supplemental appropriation to sustain ACTION's programs at the fullest level. In addition, OCA coordinated ACTION's role in several oversight hearings during the second session of the 97th Congress.

The Office of Congressional Affairs continued to work with Congress in answering questions regarding ACTION programs. OCA has endeavored to make the members of Congress aware of the new initiatives that encourage volunteer action in such areas as energy conservation, literacy, drug abuse, Young Volunteers in Action and the Vietnam Veterans Leadership Program.

OFFICE OF GENERAL COUNSEL

In FY 1982, the Office of General Counsel experienced a substantial increase in its participation on administrative procedures and litigation in several areas. Denial of refunding "show cause" meetings for VISTA and the Older American Volunteer Programs increased in number, and resulted in several suits being brought in federal court. There was also a substantial increase in our participation in hearings and litigation in the areas of labor management relations, EEO, personnel actions and contract disputes. The office also continued its involvement in the processing of Freedom of Information and Privacy Act requests to the agency and defense of agency decisions in this area.

In conjunction with the various programs, this office assisted in the drafting and publication of the draft OAVP regulations and the YVA guidelines. The office continued its review function for agency grants, contracts, and other memoranda, and its advisory function in the issuance of opinions.

As the agency's ethics advisor, the office continues to oversee and interpret ACTION's Standards of Conduct regulations, and assures compliance with the Ethics in Government Act. The office assisted in the orderly separation of Peace Corps and ACTION as required by Public Law 97-113.

OFFICE OF COMPLIANCE

The Office of Compliance is comprised of three major divisions: the Office of the Director which promulgates policy; the Inspector General Division, and the Equal Opportunity Division. The Office of Compliance acts as a positive tool for ACTION management, working together with program and support components of ACTION, and gathering facts which impact on the management and administration of the programs and operations of the agency.

Audits and Investigations

The Inspector General Division conducts all audits and investigations for ACTION. Prior to the Peace Corps separation from ACTION in February 1982, the division also conducted audits and investigations for both agencies. In FY 1982, a total of 12 audits were performed by the Inspector General's staff, and 56 audits were completed by public accounting firms under contracts with ACTION. These included:

- One special internal audit describing the major deficiencies in Peace Corps overseas financial and management operations for the period FY 1979 through FY 1981;

- One special internal audit of selected aspects of ACTION's FY 1982 financial operations;
- Two contract audits to determine the adequacy of the contractors' accounting systems and the reasonableness of amounts billed ACTION under the contracts;
- One special internal audit of the imprest fund cash accounts;
- Four audits of VISTA National Grants;
- One audit of a Retired Senior Volunteer Program project;
- Two audits of Youth Employment Support projects;
- Fifty-six eligibility and compliance audits of agency grants to nonprofit organizations and state and local governments.

The mismanagement and misuse of federal funds by a Youth Community Service project which received approximately $7.5 million from the Department of Labor, and which was managed and administered by ACTION officials during 1978–81, was investigated in FY 1982. Our efforts resulted in a recovery of approximately $29,000 of funds remaining in the project's account and at our urgings the Department of Labor launched its own inquiry into the project. The latter included a financial audit by a CPA firm contracted by the Department of Labor.

During FY 1982 the division received 12 requests for investigations, three of which were transferred to Peace Corps. The remaining nine investigations pertaining to ACTION were ongoing throughout 1982. In addition, the division completed four investigations initiated prior to FY 1982.

Equal Opportunity

The Equal Opportunity Division is responsible for developing, promulgating and implementing all policies and practices with regard to equal opportunity and affirmative action for ACTION. It also heads up such special purposes programs as the Federal Women's Program (FWP), the Hispanic Employment Program (HEP), and Section 8(a) Minority Contracts Program.

Though substantially reduced because of the reduction-in-force, the Equal Opportunity staff:

- Concentrated primarily on the timely processing of EEO complaints of discrimination;
- Developed the agency's Multi-Year Affirmative Action Plan for 1982–1986;
- Developed and submitted to the Justice Department a plan for implementing the provisions of Title VI of the Civil Rights Act of 1964, as amended; and
- Developed and issued an agency policy statement on equal opportunity.

Contract Awards to Small Disadvantaged Business

Section 8(a) of the Small Business Act allows awards of non-competitive contracts to minority owned business. The Office of Compliance implements this act for ACTION.

During FY 1982, ACTION awarded 19 8(a) contracts valued at $587,000. The dollar figure reflects totals for ACTION and Peace Corps during the first and part of the second quarter of FY 1982, and for ACTION alone for the balance of the fiscal year.

Also awarded during the same period were 23 non-8(a) contracts amounting to $799,000 to minority firms through the competitive or sole source process.

Questions Submitted by Senator William Proxmire

Question: Ms. Alvarado, your statement makes little more than a passing reference to the reduction under program administration yet the $1.8 million cut is the largest proposed in the budget request. Why isn't more attention paid to this account in your statement?

Answer: The programs we administer are most important to achieving our mission. My statement therefore deals primarily with the effects of the FY 1986 submission on our programs rather than program support/administration. In addition, program support comprises only 16% of our total request and the $1.8 million cut represents "belt tightening" measures which only reduce administrative costs.

Question: Why have you revised your estimated staff travel expenses for the current year? Last year, you projected these costs would total $557,000: now they're expected to reach $869,000 --- that's a 36 percent increase. Why were you so far off the mark in your first estimation of these costs?

Answer: One of the reasons the estimate has changed is that we are attempting to respond to the Congressional directive to do more project monitoring through site visits. In addition, the $557,000 estimate contained in the FY 1985 submission was part of a lower funding level for program support than that at which we are currently operating, $22,998,000 in the estimate versus $26,033,000 actual. The original estimate for travel was approximately 2.4% of the total request for program support, while the current estimate is 3.3% of the amount available to us for support this fiscal year. We feel that the adjustment is not excessive and reflects the changes in circumstances and priorities that have taken place since the FY 1985 estimate was prepared.

Question: You also underestimated printing and reproduction costs by $102,000 for fiscal year 1985. These expenses were estimated at $113,000 in last year's documents, now they're projected to cost $215,000 this year. Why?

Answer: As I have previously stated, our FY 1985 estimates, as submitted, were based on a lower funding level than that at which we are now operating. Plans had to be pared down to fit within that request level; due to the increased funding available to us, we are now able to restore some of the items that had to be deleted from our original estimate. Both the original and current estimates for printing are less than one percent (0.5% in the original, 0.8% currently) of the total for program administration, which we feel is a reasonable amount, especially in view of Congressional concern over public awareness of our programs.

QUESTIONS SUBMITTED BY SENATOR QUENTIN N. BURDICK

Question: My questions concern VISTA. I understand you are proposing a rescission of fiscal 1985 funds. Is the awarding of fiscal 1985 contracts being affected by this proposal in any way? Are new applications being held up by this rescission request?

Answer: VISTA does not have contracts, as such, with its project sponsors. However, project approvals and memoranda of agreement have not been delayed, nor have new applications, by the rescission request.

Question: Are you delaying action on either new applications or continuing projects until the rescission is either approved or rejected?

Answer: No, we did not delay action on new applications or continuing projects.

Question: When does this rescission expire? Are you waiting until it expires to obligate funds? Is so, how quickly thereafter can you obligate money to VISTA projects? If the rescission is rejected, how many new projects do you estimate you will be able to fund and how quickly can they receive notification of approval.

Answer: The rescission request expired April 24. It did not delay volunteer placements or project approvals. The number of new projects projected for the VISTA program in FY 1985 is about 150. That number has not been affected by the rescission proposal. New projects receive notification of approval within 60 days of submission to VISTA Headquarters.

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CORPORATION FOR PUBLIC BROADCASTING

STATEMENT OF SONIA LANDAU, CHAIRMAN, BOARD OF DIRECTORS

ACCOMPANIED BY EDWARD J. PFISTER, PRESIDENT

OPENING REMARKS

Senator WEICKER. Our witness this morning on behalf of the Corporation for Public Broadcasting, my statement says, is Ms. Sonia Landau, but she is not here.

Mr. PFISTER. I am sorry, Mr. Chairman, she has been detained. We hope that she will be here shortly.

Senator WEICKER. I hope she will be here if she wants her budget, I will put it that way. It is either that, or we will leave the testimony up to you. I see your other valued assistant here.

Mr. PFISTER. I will call on her, if I may.

Senator WEICKER. I will let the Senator here conduct the questioning on this item in the budget.

Mr. PFISTER. That's marvelous.

Senator WEICKER. Are you sure?

Mr. PFISTER. I hope so. I have a friend of his in high places.

Senator WEICKER. I remember, all my sons played little league ball, and every now and then the umpire wouldn't appear, and they would ask me to umpire. My sons would hate it, because they knew they were going to get the toughest calls of all. So I don't think that it necessarily helps in that sense. In any event, are you prepared to go forward with the testimony?

Mr. PFISTER. Yes, sir, I am.

PREPARED STATEMENTS

Mr. PFISTER. I would like, with your permission, to just enter Ms. Landau's lengthy statement for the record, and then read for her on her behalf an oral statement that she has prepared.

[The statements follow:]

Statement of Sonia Landau

My name is Sonia Landau. I am Chairman of the Board of Directors of the Corporation for Public Broadcasting (CPB).

I was elected Chairman by my colleagues on the Board at its Annual Meeting on September 21, 1984.

I previously had served two terms as Vice-Chairman of the Board. However, today is my first appearance before you in my new capacity as Chairman of the CPB Board.

I am accompanied by Mr. Edward J. Pfister, CPB's President; and Mr. Donald Ledwig, CPB's Vice President and Treasurer. Mr. Ledwig replaces Mr. Fred Wacker, who died in April 1984.

I welcome this opportunity to appear before you today to testify on the proposed rescission of $14 million to the FY 1987 appropriation of $200 million, and CPB's request of $214 million in FY 1988.

But, before I do so, Mr. Chairman, I would be sorely remiss if, at the outset, I failed to convey to you the sincere appreciation of myself, my colleagues on the Board, and the public broadcasting community in general, for the unwavering support of you, Mr. Chairman, and your colleagues on this Subcommittee. More particularly, your actions last year leading to the enactment of CPB's Supplemental Appropriations for FY 1984, 1985, and 1986, and its regular appropriation for FY 1987 in the amount of $200 million was welcomed, indeed. Our gratitude is only increased, recognizing, as we do, with unusual act of this Subcommittee having appropriated funds for FY 1987 without the prior enactment of authorizing legislation. As you will recall, last year two authorization bills were vetoed by the President resulting in this omission.

It is a risk we dare not take again. Thus, we assure you, enactment of authorizing legislation is a matter to which we have turned our early attention and efforts.

Turning now to the matters at hand -- the proposed rescission of FY 1987 appropriations and the appropriations request for FY 1988 -- when we last appeared before you in February 1984, we reported a litany of adverse effects resulting from Federal funding cutbacks. These effects were both real and damaging. But, what I now propose to do is to outline briefly how CPB has been able to utilize effectively the Supplemental Appropriations you provided to minimize and yes, in some instances, reverse the directions resulting from those earlier cuts. In doing so, I believe you will readily see our reason for requesting that you not grant the rescission of $14 million sought to reduce our FY 1987 appropriation of $200 million to $186 million.

The FY 1984 Supplemental Appropriation was allocated as follows:

- Almost $3.8 million was allocated for television Community Service Grants (CSGs), increasing the average grant by almost $22,000.
- Almost $1.7 million was allocated for radio CSGs, increasing the average grant by approximately $6,400.
- Almost $1.3 million was allocated to television national program production, a portion of which was used to increase CPB's commitment to children's educational programming. The remainder was used to fund program proposals which otherwise would not have been funded because of lack of resources.
- Approximately $700,000 in CPB's discretionary funds from the Supplemental was applied to support the promotion and advertising of public television and radio programs, so that our audience can find the quality programs which public broadcasting offers, and to improve the satellite interconnection system.

The FY 1985 Supplemental Appropriation was allocated as follows:

- Almost $10.4 million was allocated to television CSGs, increasing the average grant by over $56,000.
- Almost $3.7 million was allocated to radio CSGs, increasing the average grant by approximately $5,000.
- Almost $3.5 million was allocated to television national program production. Of that amount, $2 million was applied to program priorities established by the CPB Board for the Program Fund (children's, public affairs, drama and culture) and $1 million to children's educational programming.
- Almost $1 million was applied to radio national program production, and ultimately distributed to National Public Radio and others for program production.
- Over $2 million in CPB's discretionary funds from the Supplemental was applied to children's educational programming as part of a major commitment to increase programming in this high priority area.

In all likelihood, these foregoing remedial actions would have been impeded, if not negated, if the requested $14 million rescission is granted, reducing the FY 1987 appropriation from $200 to $186 million. We further estimate that if the $14 million rescission is granted, it would have the following specific effects:

- CPB would lose the predictability and stability so vital to program planning, which is provided by advance funding. Existing commitments by CPB and the stations to ongoing program projects, such as children's programming, American drama, and public affairs, could be placed in jeopardy.
- CPB would have to reduce by $7 million the funds it awards directly to television stations in the form of unrestricted grants. CPB also would be forced to reduce its support for television program production by 7 percent, or $2.4 million.
- CPB support for radio program production and radio stations also would have to be decreased by 7 percent, or $3.2 million.
- CPB assistance in funding certain systemwide expenses, such as television interconnection operating costs and music royalty fee payments, would have to be adjusted downward.

Mr. Chairman, CPB has revised its Federal Funding Needs Forecast of last year, and even taking into account lower inflation rates, CPB's revised FY 1987 Federal Funding need is for $230.1 million. This compares with an actual appropriation of $200 million, so the shortfall can only be further aggravated if the $14 million rescission is granted.

For FY 1988 CPB is requesting $214 million. Our Needs Forecast estimate is for $244.1 million. Or, as in FY 1987, assuming the requested rescission is not granted, a shortfall of $30 million. But, we also recognize that there are other system needs. CPB is mindful, for example, that the Public Telecommunications Facilities program (PTFP) faces both a rescission request and "zeroing-out" in FY 1986, and that PTFP funding needs to be restored to ensure that adequacy of the public broadcasting delivery system (viz., facilities).

Mr. Chairman, more important, we recognize that in view of the current budget deficit and resulting fiscal constraints, the Congress is facing some very hard choices. We also faced the "hard choice" in making our request for $214 million for FY 1988.

Needless to say, if public broadcasting had its "druthers", it would prefer an increased funding level, one that at least would comport with our forecasted need of $244.1 million. But, we also recognize and acknowledge the realities of the multitude of demands upon the Federal Treasury, and we have acted accordingly.

Additionally, in making this judgement on our appropriation request for FY 1988, we took into account the letter of February 13, 1985, from the Director of the Office of Management and Budget, Mr. David Stockman, to CPB's President Pfister (copy attached). Attached to Mr. Stockman's letter was a table setting forth for multi-year planning CPB's estimates for FY 1989 and FY 1990 of $246 million and $283 million, respectively. We recognize that any such estimates are subject to Congressional approval. Nonetheless, these estimates provided a needed benchmark for forward planning by CPB, and compare reasonably well with our current revised Needs Forecast of $264.1 million and $286.3 million for those out-years of FY 1989 and FY 1990. In short, and barring the unforeseen, we believe that at these projected funding levels CPB and the public broadcasting community could approach the expectations of the Congress and the American people in the delivery of its services.

While I cannot provide specific budget line items, showing how we would use the $214 million, if you grant our request, I can give some general guidelines. Based upon the major budgetary policies contained in recent CPB budgets, the distribution of the FY 1988 appropriation among priorities probably would be as follows:

- Approximately 62 percent would be allocated to the stations in the form of grants used primarily for programming.
- Approximately 28 percent would be applied to support the production and acquisition of public television and radio programs for national distribution.
- The remaining 10 percent would be applied to a wide range of system support expenses, such as children's educational programming, payment of music royalty fees, the cost of television interconnection facilities and operations, and long-range planning and policy analysis on behalf of all of public broadcasting.

The estimated dollar amounts at the $214 million level of funding would be as follows:

- Public television stations would receive $108.3 million under the CSG program.

- $36.1 million would be available for television national program production.

- For radio, there would be $48.2 million made available for the CSG program and national program production.

In conclusion, Mr. Chairman, and because I'm the "new Chairman on the block", I would like to make some personal observations about CPB's priorities.

First, I believe that public broadcasting can, and should play a meaningful role in educating America's children. This is our Board's number one priority. We increased the funding for children's programming at our January and March meetings, raising CPB's commitment to $10 million for FY 1986. I don't pretend that public broadcasting can solve all the problems of our educational system, but I know we have the technology, and I think we have the talent and imagination to seriously address a great many of them.

This is why I was so pleased when George Lucas said he would donate the proceeds from the one day, eight-city showing of the Star Wars trilogy to CPB for children's educational programming. I was pleased that we were getting funds from the private sector, of course -- that's important -- but even more than that, I was pleased that George Lucas, a distinguished, imaginative filmmaker, was showing an interest in children's programming. My deepest desire is to attract the brightest and the best producers and directors into this area. I think they can make an important contribution.

And second, my colleagues and I are committed to opening up the benefits of public broadcasting to the physically impaired. At our January meeting, we increased the funding for closed-captioning for the hearing impaired. Consequently, television financed by CPB will now carry this service. We are very proud of that.

And third, I have a strong personal belief that public broadcasting should do more in the area of public affairs. I was deeply disappointed when public broadcasting did not offer "gavel-to-gavel" coverage of the conventions last summer. I believe that's the kind of coverage we're expected to provide. I am pleased to note, however, that Capitol Journal premiered last month. That will give us some important and much needed coverage of the Congress.

And finally, I believe public broadcasting should never become preoccupied with ratings. They're not why we're here. The Jewel in the Crown attacted millions of viewers. It was phenomenal; everyone seemed to love it. Certainly I did. But, I don't want that kind of success, or at least our seeking after that kind of success, to ever deflect us from our basic mandate. That is, and I believe always will be, the duty to educate. I can think of no higher purpose for public broadcasting.

Mr. Chairman, Members of the Subcommittee, I thank you for your time, but most important, I thank you for your steadfast support for public broadcasting. I look forward to working with you for the betterment of public broadcasting during my tenure as Chairman of the CPB Board of Directors. I hope that I may have the opportunity to meet with each of you, benefiting from your thoughts and ideas. You have my commitment and dedication to the pursuit of the goal of achieving public broadcasting's fullest potential.

ATTACHMENT

LETTER FROM DAVID A. STOCKMAN, OFFICE OF MANAGEMENT AND BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

FEB 13 1985

Honorable Edward J. Pfister
President, Corporation for Public
  Broadcasting
Washington, D.C. 20036

Dear Mr. Pfister:

The President's 1986 Budget has now been transmitted to the Congress. This budget reflects the President's resolve to limit the size and scope of the Government and provides for a measured but steady decline in the size of the budget deficit. I want to thank you and your staff for your cooperation during the budget formulation process and for your help in preparing the budget documents.

The enclosure to this letter provides ceilings for your agency. The 1987 and 1988 budget ceilings and multi-year planning ceilings (for 1989 and 1990) for budget authority, along with outlays related to these ceilings, are included in the enclosure. (Additional details for the current and budget years are shown in the Budget Appendix and budget accounts listing of the Budget.) These are the amounts within which your activities should be planned for the period 1987-1990. No increases should be contemplated unless they are required because of circumstances beyond the agency's control.

The President seeks your support for his policies to reduce discretionary spending and encourages you to manage your resources prudently and to ensure that Federal responsibilities are carried out in an effective and efficient manner.

Sincerely,

David A. Stockman

Enclosure

Corporation for Public Broadcasting
Budget and Multi-Year Planning Estimates
($ in thousands)

	1985	1986	1987	1988	1989	1990
Budget authority	150,500	159,500	186,000	214,000	246,000	283,000
Outlays	150,500	159,500	186,000	214,000	246,000	283,000

Details concerning the derivation of current and budget year totals are shown in the Budget Appendix and in the budget accounts listing of the Budget. Details concerning multi-year totals can be provided by staff of this Office.

STATEMENT OF EDWARD J. PFISTER

I. INTRODUCTION

Mr. Chairman, Members of the Subcommittee. . .

My name is Edward J. Pfister. I am the President of the Corporation for Public Broadcasting (CPB).

I join Chairman Landau in welcoming this opportunity to appear before you today on behalf of the Corporation for Public Broadcasting.

I shall address my remarks to the Administration's requested $14 million rescission from the FY 1987 appropriation of $200 million, or a funding level of $186 million; and CPB's requested advance year appropriation of $214 million for FY 1988.

However, before doing so, I wish to associate myself with the words of appreciation expressed to you by the Chairman of our Board, concerning CPB's FY 1987 appropriation of $200 million, notwithstanding the lack of enacted authorization. We in public broadcasting are, indeed, very grateful to you. We are making every effort this year to ensure, to the extent it is within our power, that the needed authorization legislation is, in fact, enacted. We dare not do otherwise, else we may very well place in jeopardy the very important concept of advance year funding, which by your action last year, you preserved.

As for the current status of our authorization legislation, we are awaiting action by both the Senate and House. We do understand that the respective authorizing committees are mindful of the time constraints, and that efforts have been initiated seeking to reach agreement on this legislation so as to expedite the process.

Last year when I appeared before you, I noted the adverse effects upon public broadcasting of its funding cuts in 1981 -- a dramatic 25 percent reduction. The years immediately thereafter were very difficult ones for public broadcasting. The system was sorely strained, trying to maintain the highest possible level of service to our viewers and listeners, while at the same time, making a series of cuts to achieve even greater economies.

We anticipated, for example, as a result of these sharply lower funding levels --

- A 23 percent reduction in community service grants for television and a 12 percent reduction in national television programming;
- A 14 percent reduction in funds available for radio community service grants and national radio programming; and
- Curtailment of expansion of service to unserved areas, programming, and research into technological improvements for public broadcasting.

II. SUPPLEMENTAL APPROPRIATIONS, FY 1984-1986

I therefore am pleased to report -- and to thank you for -- your favorable action last year, enacting the Supplemental Appropriations Act, increasing our base appropriation of $130 million in FY 1984 by $7.5 million; in FY 1985 by $20.5 million; and in FY 1986 by $29.5 million. The increases have enabled us to diminish somewhat the impact of those earlier funding cuts.

For this we are grateful to you, also. But, I regret to say that in real terms, we still are below our FY 1982 level of service.

You also may recall that in developing our Financial Forecast of Funding Needs, we selected 1982 as a "base year" for two reasons. First, 1982 was, in some sense, a "high water" mark inasmuch as before the cuts took effect, the appropriations level had reached $172 million. Second, 1982 was the year in which funds were committed for major programming initiatives, which subsequently served to stimulate the increased nonfederal support we have enjoyed in recent years. It is for these reasons that we have been using 1982 as our benchmark.

In her testimony, Chairman Landau already has advised you how CPB allocated the FY 1984 and FY 1985 Supplemental Appropriations. She also has noted to you the complementary public broadcasting system needs for funding the Public Telecommunications Facilities Program (PTFP). I would only add a couple of observations to what the Chairman has said with respect to PTFP.

Now, I recognize that funding for PTFP is not a matter within the jurisdiction of this Subcommittee. Rather, it is considered by Senator Laxalt's Appropriations Subcommittee on Commerce, Justice, State, the Judiciary, and Related Agencies. However, the importance of PTFP is recognized by CPB, and indeed the very real needs for PTFP funding was taken into account in arriving at CPB's appropriations request. You will recall that last year the Congress appropriated $24 million for PTFP in FY 1985. The Administration has proposed a rescission of $10 million, reducing the appropriation to $14 million. For FY 1986, the Administration has requested no funding for PTFP. Rather, it proposes to "zero-out" the program. This I believe would be a major mistake. The equipment in the system has deteriorated and is outdated. Capital replacement has not kept up with need, and there still remain unserved areas, especially in such western states as Wyoming, Montana, and Nevada. I therefore would strongly urge that favorable consideration be given to denying the Administration's $10 million rescission proposal, and that a reasonable sum be appropriated for PTFP for FY 1986, as was done in FY 1985.

III. FY 1987 RESCISSION PROPOSAL

If we are to capitalize on the opportunity you provided with enactment of the Supplemental Appropriations, remedying the effects of the earlier cuts, then I would urge that you not grant the Administration's request for a $14 million rescission in FY 1987. Otherwise, I fear that public broadcasting again will be forced to backslide, losing whatever gains you made possible for us through the Supplemental Appropriations.

To give you some measure of what I am talking about, CPB recently received a rough draft report of the impact of revenue changes on public television station activities. The bottom line of that draft report was as follows:

- A one-dollar cut in a public television station's community service grant means, on average, a 75-cent cut in that station's expenditure on programming and production.

- But, the impact of a reduction in federal income is even greater than that of income from businesses and foundations, the principal source of program underwriting. The draft study found that a one-dollar cut in a station's federal income would require, on average, a $1.20 increase in income from businesses and foundations to maintain a stable level of expenditure for programming and production.

For example, over the past year, CPB's Board of Directors has been pursuing actively its number one priority, children's programming. At its January and March meetings, the Board has increased funding by about $2 million for children's programming for at-home and in-school. As a result, today CPB's budget for children's programming in FY 1985 is $7.5 million and in FY 1986, $10 million. You made these increases possible through your favorable action on CPB's Supplemental Appropriations.

This action also demonstrates CPB's commitment to moving most additional money, as it becomes available, into such children's programs as Sesame Street, The Electric Company, Reading Rainbow, and 3-2-1 Contact, as well as into improving Wonderworks. It also permits CPB to proceed with long delayed plans to develop experimental public radio programming for children. I hasten to note, also, that at its January meeting, CPB's Board increased funds for closed-captioning for the hearing impaired. This means that all CPB-funded television programs, as appropriate, will be closed-captioned.

However, these initiatives -- children's programming, closed-captioning, and others -- could be stopped dead in their tracks, if the FY 1987 rescission request is granted. Federal funding is the "seed money" so necessary to the development of innovative programming; it also provides such activities an aura of credibility. Otherwise, we face the rather bleak prospect of inadequate programming, a fate which, I believe, no one wishes to see come to pass.

IV. FY 1988 APPROPRIATIONS REQUEST

With respect to FY 1988, we come before you today, requesting $214 million. Our original request, as reflected in the first of two authorization bills vetoed last year (viz., S. 2436) was for $253 million. This amount was predicated upon our Needs Forecast, and now has been revised, owing to the markedly lower inflation rate, to $244.1 million.

Our request, therefore, is short of our own calculated need. Because of these very real needs, we would aspire to higher funding levels. However, we acquiesce to the lower figure only to attain and preserve a greater good -- the preservation of advance year funding, coupled with recognition that the OMB projections for the out-years, if approved at a later date by the Congress, closely approximate those needed to reach our 1982 service level goals.

Last year we experienced two Presidential vetoes of our authorization legislation. We believe that a third veto would seriously damage the concept of advance year authorization, and one of very real benefits; namely, the ability to plan. Therefore, in our view, it would be highly prudent, especially at this time of fiscal constraint, to put in place, if at all possible, the proposed $214 million in FY 1988, looking forward to the multi-year planning ceilings of $246 and $283 million in FY 1989 and FY 1990, all subject, of course, to Congressional approval.

V. CHALLENGES FOR BALANCE OF DECADE

Hopefully, if public broadcasting can obtain some resolution and some semblance of certitude concerning Federal funding for the balance of this decade, it then can turn its attention to solving the several other equally pressing issues and challenges it now confronts.

A. Alternative Financing.

1. Advertising.

Related, and no doubt uppermost in many of your minds, is the issue of alternative financing to supplement Federal funding, and in this regard advertising. Since we last appeared before you, the Federal Communications Commission (FCC) has modified its policies to permit public broadcasters to use "enhanced underwriting." This enables public broadcasters to identify corporate supporters by using brand names, trade names, slogans, brief institutional-type messages, and public service announcements. But, public broadcasters may not promote particular products. This FCC action implemented one of the recommendations of the Temporary Commission on Alternative Financing for Public Telecommunications (TCAF), a Congressionally-mandated study commission.

TCAF also found that "there is no substitute for continued federal support." (Emphasis Supplied). It also recommended that the Congress . . .

> "4. Continue the existing prohibition on advertising unless it can be established clearly that:
>
> - Overall benefits to public broadcasting will exceed the cost; and
> - Stations that do not choose to carry limited advertising will not share the risks associated with advertising while not receiving direct benefits."

The jury is still out on just how effective "enhanced underwriting" can be in supplementing Federal funding. It has not yet even had a full year's experience. It therefore is simply too early at this time to judge it. On the other hand, in all honesty, the issue of advertising is still being discussed within the public broadcasting community.

Also, I hasten to point out that public broadcasting has not slackened its fundraising activities. PBS recently reported on this year's March 9th to 24th national on-air fundraising festivals by public television stations. About 135 stations reported receiving pledges for $36.3 million, or 16 percent more than in March 1984; and that pledges totaled 721,773, an increase of 11.6 percent over last year. Pledges are made good about 85 percent of the time.

2. VHF-UHF Swaps.

Another alternative financing mechanism currently under consideration -- and considerable debate -- is the so-called VHF-UHF swap. UHF stations are viewed as having an inferior signal. VHF is the most sought after signal, especially in the eyes of advertising agencies. As a result, a dollar premium has been placed on VHF licenses, a number of which are held by public television stations.

Recently, several UHF commercial stations have been reportedly offering as much as $200 million to VHF noncommercial stations to swap. For example, pending before the FCC is a channel exchange agreement between Hubbard Broadcasting, Inc., commercial licensee of channel 44 in Tampa, Florida, and Florida West Coast Public Broadcasting (Florida PTV), noncommercial licensee of VHF channel 3. Hubbard has made an attractive offer to Florida PTV, including, among other provisions, payment of $30 million over 5 years; leasing of its channel 44 tower and transmitter complex to Florida PTV for $100 per month for 50 years; equipment modifications valued at about $5 million; and underwriting about $1.5 million in electricity costs for 10 years.

At its meeting this year on March 1, CPB considered the VHF-UHF swap issue, adopting a resolution (copy attached) setting forth its position. Essentially, the resolution cites CPB's obligation to support and encourage a strong public broadcasting system, and urges the FCC to consider fully whether, as a result of an exchange, the public television channels would reach an equivalent audience with a signal of comparable quality. The resolution then concludes by authorizing CPB's management to oppose any modification of FCC procedures governing exchanges, and recommends that, if exchanges are authorized, monies available to public television stations, resulting from such exchanges, be used solely for public broadcasting.

No doubt, the VHF-UHF swap has some local appeal, especially in view of the financing offered from the interest on any sales proceeds. But, it must be recognized that IF it is ever to be considered as a partial solution to our continuing financial needs, it is only helpful to the local station involved. It does NOT benefit the public broadcasting system as a whole; in fact, it would very likely damage the entire system.

B. Proposed Changes in Public Broadcasting's Structure

1. National Public Radio's Five-Year Business Plan

At its February 1985 meeting, NPR's Board of Directors adopted a proposed Five-Year Business Plan. The Plan, if adopted and implemented in its present form, would result in major and significant changes in the relationship between NPR and CPB.

For example, the Plan proposes that CPB distribute Federal funds dedicated to radio directly to the nation's public radio stations, not through NPR. For its part, NPR, a membership organization, would look to its member public radio stations for financial support through the imposition of a membership fee schedule set by the NPR Board, and the member stations would enter into a five-year contract with NPR for its services. One of these services would be national programming, which would be developed by NPR and sold to its member stations as a single package.

The Plan is not without its flaws. It has generated considerable discussion among NPR member stations, as well as non-NPR public radio stations. Its significance in my mind is that it represents an initial attempt by NPR to develop and implement a future-looking financial plan, seeking to place public radio's membership organization, NPR, in a stable and predictable financial environment.

On April 4 of this year, CPB's Board of Directors convened a Special Meeting to consider the Plan. After day-long consideration of NPR's Plan, CPB's Board announced the following positions for NPR's guidance in perfecting its Plan:

1. CPB does not support 100 percent of the funds available for public radio being provided to any single programming entity.

2. CPB supports an increased level of funding directly to the public radio stations beginning in 1987, with the additional funds to be used for programming.

3. CPB does not favor the reallocation of funds from the FY 1986 budget, as adopted.

4. CPB will evaluate any proposal from the public radio system regarding the future funding of public radio in light of CPB's overall responsibilities to public broadcasting.

The present NPR schedule provides for the Plan to be considered for amendment and adoption at the Public Radio Conference to be held in Denver, Colorado, in May of this year.

The Plan presently is therefore still under active discussion and consideration. CPB will continue to follow its development closely, and, as its Board indicated on April 4, stands ready to evaluate any such proposals. CPB's principal goal continues to be excellent public radio services for the nation's listeners through an ever-improving public radio system.

2. NPR's Current Financial Status

As you may be aware, since the resolution of NPR's 1983 financial crisis through a Loan Agreement with CPB, NPR has been subject to oversight both by CPB through the Agreement's provisions, and by the General Accounting Office (GAO), at the direction of the Chairman of the House Committee on Energy and Commerce.

When I appeared before you last year, I observed that "NPR . . . is moving toward financial stability, an assessment which is confirmed by the GAO report on NPR." In March of this year, however, the GAO released a Briefing Paper which concluded that the long-term financial stability of NPR is tenuous. At about the same time, NPR requested financial assistance from CPB because of an anticipated $1.3 million shortfall in its estimated non-CPB grant revenues. CPB considered the request in a timely manner, and granted NPR $921,000 dedicated to Morning Edition and All Things Considered, to ensure the continuation of these two programs. But, the Board also provided that if NPR's estimated non-CPB grant revenues were, in fact, realized, then NPR would pay back that amount, up to the $921,000, to CPB.

This shortfall of NPR, while serious, should not be unexpected. It is difficult to estimate with certainty fund-raising activities of this nature.

Also, I should like to point out to the Subcommittee that when CPB considers such requests, CPB must balance them with the competing financial system-wide needs, such as those of public television. Basically, what CPB confronts in such situations is competing system needs chasing scarce dollars, a phenomenon with which I am sure this Subcommittee is well-acquainted.

In summary, NPR is not out of the "financial woods" yet. In my view, its immediate future and its longer range financial stability will demand some "hard choices." Needless to say, CPB will continue to work closely with NPR and its member stations, and will continue to keep you currently advised of any significant developments.

C. Other Challenges

The foregoing is by no means exhaustive of the challenges to be faced currently and in the future by public broadcasting. But, it certainly is representative.

Other challenges include such matters as coping with exploding technological advances, such as home satellite dish users; developing even more innovative children's programming; improving upon CPB's and the system's performance and efforts to diversify employment and services; initiating remedial action on adult illiteracy, a societal problem that we have yet to measure accurately; and continuing the pursuit of alternative financing mechanisms to supplement Federal funding, such as the recently announced joint venture for the transmission of financial data into which Public Broadcasting Services has entered.

VI. SUMMARY & CONCLUSION

With your continued assistance, I feel confident that public broadcasting can and will meet and resolve these challenges. But, in order to do so, I firmly concur in the finding of TCAF that "there is no substitute for continued federal support." We certainly may be able to supplement such support, and remain dedicated to pursing aggressively all such opportunities.

Senator Weicker, Members of the Subcommittee, I thank you for your time, but most of all I thank you for your dedication and support of public broadcasting, enabling it to pursue its recogn'zed potential. I shall be pleased to respond to whatever questions you may have of me, and if I am not able to answer any of them fully at this time, I request the opportunity to respond in writing for the record. Thank you.

($ in Millions)

ACCOUNT	1984 ACTUAL	1985 REQUEST	1985 APPROPRIATION	REVISED REQUEST (INCLUDING SUPPS. & RESCIS.)	1986 ESTIMATE FOR EACH ACTIVITY)
PUBLIC BROADCASTING FUND	$159.5 (1986)	$238.0 (1987)	$200.0 (1987)	Admin. Rescis. $186.0 (1987)	CPB Request $214.0 (1988) Admin. Request $214.0 (1988)

ATTACHMENT

RESOLUTION
THE BOARD OF DIRECTORS
THE CORPORATION FOR PUBLIC BROADCASTING
TAMPA, FLORIDA
MARCH 1, 1985

Unanimously

WHEREAS,

it is CPB's obligation to support and encourage a strong public broadcasting system providing service to the American people; and

WHEREAS,

the FCC should fully consider whether, as the result of an exchange, the public television channel would reach an equivalent audience with a signal of comparable quality.

NOW, THEREFORE, BE IT RESOLVED THAT:

the CPB Board of Directors authorizes Management to oppose any modification of FCC procedures governing exchanges that are currently in place and to recommend that monies available to public television stations as the result of an exchange will be used solely for public broadcasting.

ORAL STATEMENT OF PRESIDENT PFISTER

Senator **Weicker**. That is fine by me. Is there some explanation as to why she is not here?

Mr. **Pfister**. Senator, as nearly as we know, she was just detained, and we are trying to find out why. I apologize for that, sir.

Mr. Chairman, my name is Ed Pfister. I am the President of the Corporation for Public Broadcasting.

I am accompanied by Mr. Donald Ledwig who is CPB's Vice President and Treasurer. Mr. Ledwig replaces Mr. Fred Wacker who died in April 1984.

I welcome this opportunity to appear before you today to testify on the proposed rescission of $14 million to the fiscal year 1987 appropriation of $200 million, and CPB's request of $214 million in fiscal year 1988.

But before I do so, Mr. Chairman, I would be sorely remiss if, at the outset, I failed to convey to you the sincere appreciation of the public broadcasting community in general and the Corporation for Public Broadcasting in particular for the unwavering support of you and your colleagues on this subcommittee. More particularly, your actions last year leading to the enactment of CPB's supplemental appropriations for fiscal years 1984, 1985, and 1986, and its regular appropriation for fiscal year 1987 in the amount of $200 million were welcomed, indeed.

Our gratitude is only increased, recognizing, as we do, that the funds for fiscal year 1987 were appropriated without the proper enactment of authorizing legislation. As you recall, last year, two authorization bills were vetoed by the President resulting in this omission.

It is a risk we dare not take again. Thus, we assure you, enactment of authorizing legislation is a matter to which we have turned our early attention and our efforts.

Turning now to the matters at hand—the proposed rescission of fiscal year 1987 appropriations, and the appropriations request for fiscal year 1988—when we appeared before you in February 1984, we reported a litany of adverse effects resulting from Federal funding cutbacks. These effects were both real and damaging.

CPB has worked diligently to utilize the supplemental appropriations you provided to minimize and, in some instances, reverse the negative impacts of those earlier cuts. In doing so, I believe you will see our reason for requesting that you not grant the rescission of $14 million sought to reduce our fiscal year 1987 appropriation of $200 million to $186 million.

With the supplemental appropriations, we were able to undertake remedial actions. They would, however, be impeded, if not negated, if the requested $14 million rescission is granted, reducing the fiscal year 1987 appropriation from $200 million to $186 million. We further estimate that if the $14 million rescission is granted, it would have the following specific effects:

CPB would have to reduce by $7 million the funds it awards directly to television stations in the form of unrestricted grants;

CPB also would be forced to reduce its support for television program production by 7 percent, or $2.4 million; and

CPB support for radio program production and radio stations also would have to be decreased by 7 percent, or $3.2 million.

Mr. Chairman, CPB has revised its Federal funding needs forecast of last year, and, even taking into account lower inflation rates, CPB's revised fiscal year 1987 Federal funding need is for $230.1 million. This compares with an actual appropriation of $200 million, so the shortfall can only be further aggravated if the $14 million rescission is granted.

For fiscal year 1988, CPB is requesting $214 million. Our needs forecast estimate is for $244.1 million. Or, as in fiscal year 1987, assuming the requested rescission is not granted, a shortfall of $30 million. But, we also recognize that there are other system needs. CPB is mindful, for example, that the Public Telecommunications Facilities Program [PTFP] faces both a rescission request and zeroing out in fiscal year 1986, and that program funding needs to be restored to ensure the adequacy of the public broadcasting delivery system. The excellent programming of public broadcasting will be wasted if we do not have the facilities necessary to deliver that programming to the public.

Mr. Chairman, more importantly, we recognize that in view of the current budget deficit and resulting fiscal constraints, the Congress is facing some very hard choices. We also faced the hard choice in making our request for $214 million for fiscal year 1988.

Needless to say, if public broadcasting had its druthers, it would prefer an increased funding level, one that at least would correspond with our forecast need of $244.1 million. But, we also recognize and acknowledge the realities of the multitude of demands upon the Federal Treasury, and we have acted accordingly.

Additionally, in making this judgment on our appropriation request for fiscal year 1988, we took into account the letter of February 13, 1985, from the Director of the Office of Management and Budget, Mr. David Stockman, to me.

Attached to Mr. Stockman's letter was a table setting forth for multiyear planning, CPB estimates for fiscal year 1989 and 1990 of $246 million, and $283 million, respectively. We recognize that any such estimates are subject to congressional approval.

Nonetheless, these estimates provide a necessary benchmark for forward planning by CPB and compare reasonably well with our current revised needs forecast of $264 million and $286 million for those outyears, fiscal years 1989 and 1990. In short, barring the unforeseen, we believe that at these projected funding levels, CPB and the public broadcasting community could approach the expectations of the Congress and the American people in the delivery of services.

The estimated dollar allocations at the $214 million level of funding for fiscal year 1988 would be as follows:

Public television stations would receive $108.3 million under the Community Service Grant Program; $36.1 million would be available for Public Television National Program production.

For radio, there would be $48.2 million made available for the CSG Program and national program production.

In conclusion, Mr. Chairman, Ms. Landau would like to make some personal observations about CPB's priorities, and since she has now arrived, I would prefer that she do that herself.

ORAL STATEMENT OF CHAIRMAN LANDAU

Ms. LANDAU. My apologies to the committee. Apparently, the zone system in Washington does not make you able to get a taxi very easily if it is in the same zone.

First, I believe that public broadcasting can, and should, play a meaningful role in educating America's children. This is our Board's No. 1 priority. We increased the funding for children's programming at our January and March meetings, raising CPB's commitment to $10 million for fiscal year 1986.

I don't pretend that public broadcasting can solve all the problems of our educational system, but I know that we have the technology, and I think we have the talent and the imagination to address a great many of them.

To that end, I was pleased when George Lucas said he would donate the proceeds from the 1-day, eight-city showing of the "Star Wars" trilogy to CPB for children's educational programming. I also was pleased that we were getting funds from the private sector, of course—that is important—but George Lucas, who is an imaginative filmmaker, was showing a commitment to children's educational programming. My desire is to attract the brightest and the best producers and directors into this area. I think they can make an important contribution.

Second, my colleagues and I are committed to opening up the benefits of public broadcasting to the physically impaired. At our January meeting, we increased the funding for closed-captioning for the hearing impaired. Consequently, television financed by CPB will now carry this service. We are very proud of that.

Third, I have a strong personal belief that public broadcasting should do more in the area of public affairs. I was disappointed when more public broadcasting stations did not carry gavel-to-gavel coverage of the conventions last summer. I believe that's the kind of coverage we're expected to provide. I am pleased, however, to note that "Capitol Journal" premiered last month. That will give us some important and much needed coverage of the Congress.

Finally, I believe public broadcasting should never become preoccupied with ratings. That's not why we are here. "The Jewel in the Crown" attracted millions of viewers. It was phenomenal. Everyone seemed to like it. Certainly, I did. But, I don't want that kind of success, or at least our seeking after that kind of success, to ever deflect from our basic mandate. That is, and I believe always will be, the duty to educate. I can't think of any better purpose for public broadcasting.

Mr. Chairman, members of the subcommittee, I thank you for your time, but most important, I thank you for your support of public broadcasting. I look forward to working with you. I hope I have the opportunity to meet with each of you. You have my commitment to pursue the highest goals of achieving public broadcasting's fullest potential.

Again, my apologies for my tardiness.

Senator WEICKER. Thank you very much.

Before we get to members of the committee, we are honored to have Senator Rockefeller here with us as a member of the panel. I don't know if he brings any special insight, but it seems to me that he is as well primed as anybody else to ask questions on this matter.

Senator, is there anything you would care to ask in the way of questions?

PUBLIC AFFAIRS PROGRAMMING

Senator ROCKEFELLER. You talk about public affairs, Madam Chairman, what kinds of ranges? You mentioned the convention, and I assume that you meant both conventions.

Ms. LANDAU. Yes.

Senator ROCKEFELLER. What other ranges of public affairs do you have in mind, as that seems to be a priority for you?

Ms. LANDAU. It is. I would like to have more extensive coverage of Congress. I would like to see us provide some really intensive coverage as to what Congress means historically; what it means now; and what it means in the future, so that young people are learning not just what our system is, but learning how it can help them understand what is going to happen tomorrow. That would certainly be one area.

In public affairs, I wish we had produced "George Washington," the CBS program. It was really quite wonderful. It dealt with the historical picture. But, I think it also enabled children to look at, perhaps, what is going on today.

So you are right, I do have a strong commitment to anything of that nature in public affairs.

Senator ROCKEFELLER. Does the public affairs priority, as you stated it, get translated into budget commitments?

Ms. LANDAU. Yes.

Senator ROCKEFELLER. Are those hard dollars?

Ms. LANDAU. I hope that they will be even harder, yes.

Senator ROCKEFELLER. Are they allocated a certain percentage, or a certain number of dollars directly?

Ms. LANDAU. Our allocation for public affairs is the second priority of the Board. Our first is children's programming.

Senator ROCKEFELLER. After children's programming.

Ms. LANDAU. Yes; our third is drama.

We have met the financial priority of children's programming. But, we have not done that with public affairs. I hope that we will, and I think that it is important that we do.

Senator ROCKEFELLER. Thank you, Mr. Chairman.

Senator WEICKER. I would agree, I think, that this is an area that ought to be expanded. I think it is amazing the way something like

C-SPAN, which might not be very interesting to those of us that are in the business day after day, but is able to give people who view it an understanding of their Government. At a time when they vote in fewer and fewer numbers, it seems to me the more that can be done that way to have people able to relate to their Government, the better.

The concerns that I have are, I think, those of other members of the panel. I don't think that we want to start tilting the news one way or the other as much as to just give straight background of both conventions, matters of history, matters of ongoing controversy within the Congress where, indeed, you have commentators that are fairly balanced out as to what goes on.

I agree. I think it is an area that we ought to expand.

Ms. Landau. Also, if I could add one other thing, not particularly on public affairs, but very much on children's programming. I think that we need to really look for more innovative producers in children's programming. We all see the statistics that are out on children who are getting out of school. They can't read, and even more important, they can't think. They don't know how to deal with ideas at all.

I would like for us to be able to attract the kind of people who can translate an interest into broadcasting, somebody like Mr. Lucas or Steven Spielberg. I don't know what the answer is. I only know what the question is. But, we do have all of this technology; we do have the resources, and I believe we need to be able to reach the children in a better way than we are doing now. I think that is public broadcasting's responsibility.

Senator Weicker. Do you have a question?

Senator Proxmire. I don't want to interrupt such a useful dialog.

Senator Weicker. You go ahead.

FISCAL YEAR 1986 BUDGET REQUEST

Senator Proxmire. It is so good to have Jay Rockefeller here, whose wife is the expert on this question.

Mr. Pfister, if memory serves me right, this is the first time in several years the Corporation's own budget request to Congress coincides with the administration's.

Mr. Pfister. That is correct.

Senator Proxmire. You are both requesting $214 million; is that right?

Mr. Pfister. That is correct.

Senator Proxmire. I take it the reason behind such a consensus is to prevent a third Presidential veto of CPB's authorization and thus preserve the advance funding concept. Is that right?

Mr. Pfister. The advance funding concept, and our ability to plan, Senator, yes.

PUBLIC VERSUS COMMERCIAL BROADCASTING

Senator PROXMIRE. Can you tell us how public broadcasting's operation differs from commercial broadcasting which doesn't have access to any advance funds except through estimated revenues?

Mr. PFISTER. Our operations don't differ very much. Commercial broadcasters probably, although it is certainly not my field, need as much time to plan their product and to make forward funding commitments as we do. The best comparison for me to make for you is to say that in terms, it takes a major series, from the point of funding, if it has been properly developed up to the point of funding, anywhere from 12 to 30 months to come onto the air. That is not an experience that is unusual for public broadcasting, particularly public television; it is the same experience that our friends and colleagues have in Great Britain and that other public broadcasting systems in the world have.

How the commercial broadcasters work it, I honestly don't know. I do know television well enough to know that if the money is committed, time must elapse.

MINORITY EMPLOYMENT

Senator PROXMIRE. The information collected by the Corporation indicates that its percentage of minority employees increased only 4.5 percent between 1974 and 1984, the last 10 years.

Mr. PFISTER. That is across the whole of the system.

Senator PROXMIRE. Don't you think you can do better than that?

Mr. PFISTER. We do, and we are trying everything that we can.

Senator PROXMIRE. Why has the increase been so small?

Mr. PFISTER. I think that there are probably two reasons why the increase has been so small. This is an institution that has stabilized in terms of employment, that is, there are not too many people leaving and, therefore, there are not too many opportunities.

In many parts of the country, we have stations that have to deal with institutions in terms of their hiring practices and personnel recruitment, universities or State agencies. The university or the State agency tends to look at the whole of its employment roll as opposed to a single employment roll of a single entity within its budgetary area.

So we face those two problems.

Senator PROXMIRE. The increase has been 4.5 percent, what is the proportion of minority employees working public broadcasting, or PBS?

Mr. PFISTER. In PBS, I am not certain. In CPB, we have 36 percent of our employees who are minority people.

Senator PROXMIRE. Thirty-six percent?

Mr. PFISTER. That is correct; and 61 percent of our employees are women.

Senator PROXMIRE. I understand the Corporation voted to withhold Federal funds to stations unless they certify that their hiring practices are not discriminatory.

Mr. PFISTER. That is exactly right.

Senator Proxmire. What brought about such action?

Mr. Pfister. We have been doing that for some years. We are just strengthening and invigorating that.

Senator Proxmire. You have been doing that before?

Mr. Pfister. Yes, sir, but we are now invigorating that to make certain.

Senator Proxmire. How does the Corporation measure the performance of its member stations in matters of minority hiring?

Mr. Pfister. We ask the stations to keep us in touch, to contact us so that we can be helpful to them. On the other hand, stations are required on an annual basis to advise us as to what their employment rolls are, and then we measure that.

Senator Proxmire. How many members have not complied so far with minority hiring?

Mr. Pfister. That I know of, none, Senator.

Senator Proxmire. They have all complied?

Mr. Pfister. They have all complied with our requests for information and with the requirements of our community service grants.

NATIONAL PUBLIC RADIO REVENUE SHORTFALL

Senator Proxmire. I just have two more questions.

Why didn't the Board give National Public Radio all of the $1.3 million requested last March? Your statement indicates that NPR received $921,000 but there is no explanation of why the decision was made to reduce the request.

Mr. Pfister. The decision was made to reduce the request on the basis of the program contracts that are in place. CPB saw the need to fund further two news programs, "All Things Considered" and "Morning Edition." CPB didn't think that it was particularly wise to fund at increased levels two programs that we have in place at NPR. The first is a satellite program development fund which pays attention to independent producers, and the second is specialized audience programming, because the request for each was being built on a base where CPB already pays 100 percent of the costs. The request in those two areas essentially said that NPR wanted to increase the level of the 100 percent funding without providing additional services. Frankly, we didn't understand that.

The request for the arts and performance area, and the special events area, in terms of the information shared with us by NPR, indicated that NPR had the capacity to raise additional funds to support those two areas.

NATIONAL PUBLIC RADIO'S 5-YEAR BUSINESS PLAN

Senator Proxmire. The last question is: What is your objection to NPR's proposed 5-year business plan? It shifts responsibility, at least so far as the allocation of Federal funds is concerned, directly to the Corporation. What is wrong with that?

Mr. Pfister. I don't think that there is anything wrong with it. I don't think that CPB thinks that there is anything wrong with it. NPR has essentially presented a plan which on the whole we think is welcome, a plan that is forward thinking and forward planning and this is a welcome sign of increasing stability at NPR. The Corporation has essentially said that it does not think that 100 percent of its programming and production funds ought to go to any single source. On the other hand, the Corporation has indicated that it would be willing to increase the level of funding it gives directly to the stations beginning in fiscal year 1987.

The Corporation further has advised the public radio community and NPR that it would be pleased to have additional proposals so long as the proposals take into account all of our responsibilities. We have responsibilities that extend beyond public radio and NPR.

Senator Proxmire. Thank you very much, Mr. Pfister.

Mr. Pfister, there is a famous Wisconsin family named Pfister.

Mr. Pfister. I know, sir.

Senator Proxmire. Are you related to them?

Mr. Pfister. I wish I were. [General laughter.]

Senator Proxmire. Thank you very much, Mr. Chairman.

Senator Weicker. Senator Specter.

PUBLIC TV AND CAMPAIGN COVERAGE

Senator Specter. One thought on the public service aspect for public radio and television might be to assist on some of the campaign efforts where you might bring before the public candidacies to try to cut down to some extent on the great expense of campaigns.

We are wrestling consistently with the issue as to how to deal with the rising cost of campaigns. One suggestion that was made was to try to get the media to make available to candidates free time where there could be interview shows and debates, and to move away from the advertising format where we all advertise very much like other commercial products do.

Could public TV or public radio do some pioneering in this field, perhaps, and make free time available for candidacies on both sides?

Mr. Pfister. Senator, in 1984, as money was available to CPB and to other entities inside of public television and public radio, we did indeed try during the primaries to present all of the candidates in a fair and equitable way so that the voters could measure them one against the other.

Beyond that, we talk about going all of the time, but lack of funds always prohibits us from going beyond that. We are very interested in trying to tackle those kinds of public affairs issues through the media, particularly through the public media. CPB thinks, and CPB made a commitment last year, one through PBS, one through NPR, and one directly through its own program funds, to try to attend to some of the points that Ms. Landau made earlier. We are very interested in trying to be helpful to the voting public.

Senator SPECTER. To the extent that you could extend that beyond the Presidential primaries, I think that it would help a lot.

Mr. PFISTER. Many of our stations now do that and do it on a local level. Frankly, I think that they do it very well, and do it very equitably.

With your indulgence, Mr. Chairman, CPB spends probably more money on public affairs programming, television and radio, now and for the past few years than it spends on any other area. CPB is trying now to build a financial base underneath its children's and educational services, and that is where we are putting any additional money that we can put our hands on. But there is a very high level of commitment in the public affairs and in the news area at CPB.

Senator SPECTER. Thank you very much.

Mr. Chairman, I would like to leave some questions for the record for the Mine Safety and Health Review Commission portion of the hearing because I have to depart for another hearing.

Senator WEICKER. Those questions will be submitted to the appropriate agency.

Senator SPECTER. Thank you very much, Mr. Chairman.

Senator WEICKER. Let me say this also. Nobody knows better than I how CPB operates in this business of politics and election campaigns. Toby Moffett and I had, I think, six debates on public television in Connecticut. Public television arranged the whole schedule and I think it was the most thorough coverage in the sense of election campaign, certainly in Connecticut. All the candidates, not just Moffett, but the conservatives also had a candidate. There were six debates carried by public television, with a moderator supplied. That is the reason I probably got reelected because in every one of the public debates without fail, every one of them, the conservative candidate would start off by accusing me of being a Communist, and the Democratic candidate would accuse me of being a closet Reaganite. So you are looking at the only Communist Reaganite in the United States. I am sure, when you are covering that kind of a spectrum, you are not going to lose in this business. You have everything. [General laughter.]

In any event, I think it was an enormously useful service to the State of Connecticut, and I think Senator Specter is right as to how it could be a service in every one of the other States. The debate did a fantastic job.

Mr. PFISTER. Thank you. It is a very good group. The Connecticut people are very, very good at what they do.

FISCAL YEAR 1987 RESCISSION REQUEST

Senator WEICKER. It is my understanding from counsel, and the main part of your presentation having to do with the rescission, the administration's rescission request expired yesterday. Since Congress has not acted on the request, it expired.

Mr. PFISTER. This is a wonderful morning. Thank you.

Senator **Weicker**. Why was this request made, do you know, was it strictly for budgetary reasons?

Mr. **Pfister**. I suspect that it was made in line with the proposals for funding the authorization bill in the House of Representatives by the minority party last year. The minority party in the House last year asked for $186 million. The legislation that ultimately emerged sought $225 million for 1988, and as you know, it was vetoed.

CORPORATION FOR PUBLIC BROADCASTING ADMINISTRATIVE EXPENSES

Senator **Weicker**. One last question, and the other questions I will submit for the record.

The Public Broadcasting Act provides you with up to 5 percent of your appropriation for administrative purposes. Your administrative account will increase from $7.5 million in fiscal year 1985 to $10.5 million in fiscal year 1988 if you receive the $214 million in the 1986 appropriations bill, and I suspect you will. That is a 40-percent increase in your administrative accounts. That is a rather large increase. Can you give me an idea of how it is going to be utilized?

Mr. **Pfister**. Senator, I think probably there is a misreading of the administrative line inside of CPB. CPB's administration is right now costing between 4.5 and 4 percent of its appropriation. Last year, it was costing just about 4.5 percent. Our intention, as the appropriation increases, is to get that administrative cost down to about 3.5 percent.

What you are looking at, I think, Senator, although I don't know how the numbers are put together, you are looking at all of the money, perhaps, that comes to CPB.

Mr. **Bongard**. Your appropriation, the authorizing legislation authorizes you to take 5 percent of your appropriation.

Mr. **Pfister**. That is right.

Mr. **Bongard**. Appropriated dollars.

Mr. **Pfister**. That is right.

Mr. **Bongard**. That is what we used to figure this out.

Mr. **Pfister**. You were using a straight 5 percent, and projecting it.

Mr. **Bongard**. You are allowed to take up to 5 percent of your appropriated dollars, and we just wanted to know how this increase is going to be used.

Mr. **Pfister**. First of all, we are not spending 5 percent on administration, and we have not spent 5 percent on administration since fiscal year 1982 when the first cuts came. We now have our administrative costs down to about 4 percent, and it is our intention, as the appropriation goes up and more dollars become available in percentage terms, to continue to decrease the percentage.

At the $214 million level, it is my expectation that we will be at about 3.5 percent.

Mr. **Bongard**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Weicker. I have further questions for response to the record.

Sonia, I want to wish you the best of luck in your new position. Sharon is here, and she certainly did a great job in advancing the interests of public television when she was the one who was at the helm. I think CPB is blessed indeed in having both of you functioning there. I repeat, I wish you all the best.

Ms. Landau. Thank you.

Mr. Chairman, may I make one remark to Mr. Pfister's comment on the amount of money appropriated to public affairs. This has been sort of a question among our Board members, because although public affairs money shows up in "MacNeil-Lehrer," and shows up in "Frontline," it is in big lump sums, and many of us don't feel that is really enough of an answer. So I would like to point that out, that although there is a lot of money going into some public affairs programs, we think that there should be a much stronger coverage of public affairs. It's just not enough to make a large commitment to "MacNeil-Lehrer" and count it for news, count it for public affairs, and count it for "Frontline" documentaries.

For the record, I wished to make that clarification, and note, that this is the feeling of the majority of the Board.

Senator Weicker. Thank you all very much. I appreciate your testimony.

Mr. Pfister. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

VHF-UHF SWAPS

Question. I understand that a public television station in Florida wants to sell its VHF slot for cash and trade for a UHF slot in the same area, you addressed this issue in your testimony, fearing damage to the entire public television system. Why?

Answer. Public television stations operate on channels that were reserved in 1952 exclusively for noncommercial, educational purposes. About 120 stations use VHF channels (channels 2-13) and the remaining 184 are on UHF channels (14-69). VHF channels are generally considered to be more desireable than UHF, because VHF signals are stronger, go further on much less power, do not deteriorate as rapidly as UHF signals, are more easily received without an outside antenna, and are easier to find on the television dial. Many commercial UHF stations would like to obtain the VHF channels that public broadcasters use, and are willing to pay the public broadcasters substantial sums to induce them to trade channels. Such trade have been rare, however, because the FCC has always required that the exchanges be open to competition from other stations equally interested in the VHF channel; rather than risking an unfavorable outcome in the competition, broadcasters have refrained from pursuing channel swaps.

Last month, however, the FCC proposed to change its procedures, and to insulate such swaps from competition by other interested parties. The prospect of "closed deals," in which a public broadcasting station could privately agree to trade channels with a local UHF station, without the involvement of any competitors, generated great interest in swaps. Commercial UHF broadcasters viewed public broadcasting's VHF channels as the answer to their handicap against commercial VHF competitors. Advocates of such swaps predicted that the high prices UHF stations would be willing to pay for public television's VHF channels would provide it with the funding so desperately needed for station operations and programming.

The CPB Board adopted the following resolution in response to the FCC's proposed procedural change:

> WHEREAS,
>
> it is CPB's obligation to support and encourage a strong public broadcasting system providing service to the American people; and
>
> WHEREAS,
>
> the FCC should fully consider whether, as the result of an exchange, the public television channel would reach an equivalent audience with a signal of comparable quality.
>
> NOW, THEREFORE, BE IT RESOLVED THAT:
>
> the CPB Board of Directors authorizes Management to oppose any modification of FCC procedures governing exchanges that are currently in place and to recommend that monies available to public television stations as the result of an exchange will be used solely for public broadcasting.

CPB is concerned that in seeking to establish long-term financial security, stations that traded away their VHF channels could lose their ability to reach their audiences. Many people now receiving public television could well find that the signal is no longer accessible at all, and others could find that they could only receive it by paying to subscribe to the local cable television system. Unlike the advertising experiment, which could be undertaken on a temporary basis, swaps will be permanent. Once traded away, public broadcasting will never be able to afford to buy its VHF channels back. If swaps do not prove to be as beneficial as their advocates presently proclaim, therefore, there will be no way to reverse the experiment.

CPB believes, therefore, that swaps should be considered as a last resort to funding difficulties, only after other, less detrimental and dangerous possibilities have been tried and proven fruitless.

CPB BUDGET

Question. The CPB operating budget showed an FY 1984 carryover of $20.7 million. Is that correct?

Answer. Yes, that is correct.

Question: You have continually testified about the shortage experienced in program funding in both public TV and radio. Please explain the components of the $20 million carryover and tell us why CPB was unable to spend more of its appropriation.

Answer. Under its authorizing legislation, funds appropriated to CPB are "no year" funds, meaning they are available until expended. Also, there is an inevitable time-lag between the decision to fund a project and the execution of a binding contract — the latter being the only basis on which a financial liability may be recorded on CPB's official accounting statements. In addition, during most of FY 1983 and FY 1984, when CPB's appropriation decreased, CPB's program managers had the flexibility to schedule budget commitments in such a way as to maintain an even level of activity, thereby avoiding any sudden decrease.

Finally, for Fiscal Year 1984, an unusual circumstance existed because CPB received a FY 1984 supplemental appropriation of $7.5 million in August of that year. CPB had to have the funds approved as part of its FY 1984 Operating Budget, which the Board of Directors did in September. Thus, it was not possible to spend these funds prudently prior to the end of the fiscal year.

Of the $20 million carried in FY 1985, over 75 percent or $16 million represented funds for station grants (CSGs) and program production grants, most of which were to be distributed to public television and radio stations. Another $2 million was reserved in FY 1984 to be used in FY 1985 to assist stations in advertising their program schedules and in purchasing special programs for fund-raising campaigns. The remaining $2 million was carried forward to fund research, training and planning projects.

Question. How was the $20 million finally allocated, and what was the percentage distributed to television and radio?

Answer. Of the total, approximately 79 percent went to television and 21 percent went to radio. The $20 million was allocated as follows:

Description of Commitment	Amount
Television and Radio Community Service Grants (CSGs). Of the total, $5.5 million represent CSGs owed to the stations out of the FY 1984 Supplemental made available in late FY 1984. The funds were sent out to the stations in November 1984. The remainder ($0.7 million) represents CSG refunds from prior years and unclaimed grants from stations which lost or never were declared qualified, which are carried forward and reapplied in subsequent years. These funds have all been expended.	$6,181,561
Television and Radio Tune-In Advertising and Station Independence Programming Grants. These represent grants to stations for newspaper advertising of local and national programming ($1.5 million), and financial assistance through PBS and NPR for the purchase of programs and services to enhance fund-raising drives ($0.625 million). The TV and radio advertising grants were disbursed in October-November 1984. Radio fund-raising assistance was made available in April. The TV fund-raising contract is currently in process.	$2,125,000
Television and Radio Program Production. These represent commitments toward the production of TV and radio national programs, including children's educational TV and radio programs. In educational TV and radio, these funds have been allocated and contracts are being drawn up as proposals and financing are finalized. (Often, funds are required from source other than CPB.) All commitments, however, were made in FY 1984.	$9,652,404
Television and Radio Interconnection Support. These represent funds available for interconnection of new radio stations and the colocation of radio earth terminals not currently located with the radio stations. Work is already proceeding on the latter under a contract between CPB and NPR. In addition, funds required for television interconnection services were less than estimated and the balance was applied to similar purposes in FY 1985. These funds have been spent.	$77,834

Policy Development and Planning. These represent funds for research and demonstration studies on technology, finance, and programming for public broadcasting, as well as for the compilation and analysis of statistics about public broadcasting. 90 percent of these funds have been spent through March 1985.	$1,069,212
Human Resources Development. These represent funds available for the training of public radio and television employees in a variety of subject areas, for the provision of print-handicapped program services, and for providing technical assistance to minority controlled public broadcasting stations. 75 percent of these funds have been spent through March 1985.	$716,662
Other. These represent financial commitments to assist public radio stations in fund-raising, and to assist in the promotion and awareness of public television and radio programs internationally. These funds have been spent.	$148,216
TOTAL	$20,693,940

CPB ADMINISTRATIVE EXPENSES

Question. The Public Broadcasting Act provides you with up to 5 percent of your appropriation for administrative purposes. Your administrative account will increase from $7.5 million in FY 1985 to $10.5 million in FY 1988 if you receive $214 million in the FY 1986 appropriation bill. That is a 40 percent increase in your administrative accounts. How will this additional money be used?

Answer. The 40 percent increase will come over a four year period (FY 1985 to FY 1988), averaging out to 10 percent per year. This increase must take into account inflation, increased costs of salaries and benefits, rent, utilities and other fixed costs, and related logistical expenses.

More importantly, CPB has constrained its administrative budget to the point where it now represents only 4.1 percent of the actual appropriation — well under the 5 percent cap as mandated by statute. At this time, CPB has no plans to allocate the full amount available for administrative expenses, but, as in FY 1985 and FY 1986, will apply unallocated funds to children's programming or other CPB priority areas.

CPB GRANT REFUNDS

Question. I understand that CPB recaptures appropriated funding as grant refunds. How much money does that amount to at the end of a fiscal year?

Answer. The amount earned as grant refunds varies considerably from year to year. It has been as high as $900,000 and as low as $200,000.

Question. Do you distribute the grant refund money as prescribed in the Public Broadcasting Act, i.e., 75 percent to TV and 25 percent to radio?

Answer. An estimate of grant refunds is included in the annual operating budget approved each year, and is not allocated separately. Only the appropriation is allocated according to the formula. As a practical matter, virtually all the grant refunds and interest income have been allocated to such things as fixed costs (music royality fees, satellite financing), children's programming, training, and development and research -- all of which benefit public television and radio.

NATIONAL PUBLIC RADIO

Question. On March 14, the GAO reported that despite improvement in controls National Public Radio's existence remains tenuous. I am told that NPR's request for an FY 1986 current services budget is $13.9 million. You have indicated CPB will allocate $11.3 million to National Public Radio. Would you be willing to make up the difference out of your discretionary dollars?

Answer. During the consultation process on CPB's FY 1986 budget, NPR endorsed the majority wishes of the stations and the CPB management recommendation to maintain radio Community Service Grants (CSGs) at current average levels. This meant a split of radio funds, allocated according to the Public Broadcasting Act, as amended, for CSGs ($24,287,000), and for national radio program production ($11,550,000).

NPR has since requested $13.9 million from CPB, and most recently, $12.5 million to maintain current services.

In FY 1985, NPR received $11.3 million from CPB. In FY 1986, NPR will have the opportunity to receive $12,033,000, $733,000 of which has already been allocated for their FY 1986 programming. All known and projected FY 1986 resources have been allocated.

CPB has already informed NPR that if additional discretionary funds become available, CPB will seek proposals from the public radio community.

NPR's FIVE-YEAR BUSINESS PLAN

Question. I understand that National Public Radio has a proposed five-year business plan to meet its future financial needs. What is CPB's role in the development of this plan?

Answer. CPB was presented with NPR's Five-Year Business Plan after it had been developed. CPB is now studying the Plan and consulting with the public radio community as they review and begin to shape the Plan to their needs.

Question. The radio system will vote on this plan in May. Will CPB distribute funding according to the decision of the member stations?

Answer. CPB distributes funds to stations based upon an annual review that begins in January and ends the following January. It involves advisory groups, presentation and discussion of issues at national and regional meetings and written comments accepted from all stations. One out of every ten CPB-qualified public radio stations is not an NPR member. CPB must account for equity and fairness to all of public radio. CPB will distribute funds in a manner which is beneficial to all stations.

CPB's FIXED COSTS AND DISCRETIONARY SPENDING

Question. The Public Broadcasting Act provides another 5 percent to be spent for certain fixed costs and discretionary spending. This account will also increase by 40 percent. How is the present level of funding used, and what are your plans for FY 86, 87 and 88?

Answer. Since the full discretionary allocation has in recent years gone completely for "fixed expenses" and since the budgets for FY 1987 and FY 1988 have not yet been formulated, we cannot state with certainty the exact allocations that would be made at the funding levels discussed.

Question. How much of the discretionary spending will be allocated to TV and how much to radio?

Answer. We would expect to maintain funding allocations between radio and television consistent with the formula implicit in our legislation, but we would consider all legitimate needs of both systems as needs arise.

PROGRAMMING

Question. What new initiatives is CPB planning in the areas of programming for children and the elderly?

Answer. In the area of children's programming, the CPB Program Fund's top priority, many new initiatives are underway.

Several new children's projects have been funded in recent months, including continued support for the highly-acclaimed science series, 3-2-1 Contact; Owl Television, a new and important series designed to educate and entertain children about the wonders of nature and the environment; Beezus and Ramona, a dramatic series of half-hour programs based on the best-selling books by Beverly Clearly about an irrepressible young heroine, Ramona Quimby, and her "sometimes up, sometimes down but always sticking together" family; The Real Adventures of Sherlock Jones and Proctor Watson, a series of action-adventure mysteries involving two very life-like puppets and a very real ten-year-old boy and an eight-year-old girl; The Philharmonic Gets Dressed, a 30-minute drama which focuses on two hours in the lives of a boy soloist, a conductor and 105 musicians before they play a concert in Minneapolis; The Green Limousine, a comedy-adventure series that pokes fun at television through the use of video and animation techniques; and, of course, continuation and strenghtening of the highly-acclaimed children's/family dramatic series, WonderWorks, which premiered last fall and focuses on "rites of passage."

Another current effort in the area of children's programming is a coproduction venture with Walt Disney Productions entitled Blue Yonder, the story of a young boy's journey back in time to meet and attempt to save the life of this grandfather, a pioneer aviator.

With the increased funded proposed for Fiscal Year 1986, we anticipate continued and significant growth in the area of children's programming.

Although not a specific priority in the CPB Program Fund at this time, programming targeted to the elderly is addressed in several ways.

Programs by or about the elderly are welcomed in the Open Solicitation process. In fact, a major new series, submitted through that process, is currently under active consideration within the CPB Program Fund.

Additionally, programs addressing issues related to the elderly have been included in almost all of the major program series we support. Some examples which come to mind are The Gin Game, an in-depth look at an elderly couple in residence at a home for the aged, who compete daily both at gin rummy and a battle of wits, broadcast as part of American Playhouse; What About Mom and Dad is an upcoming episode of Frontline which looks at Americans over the age of 75 and their struggle to support themselves on their life's savings; Great Performances recently aired a program entitled Taking My Turn, an off-Broadway musical about the experiences of eight characters between the ages of 50 and 80; and a number of episodes of WonderWorks, our children's/family dramatic series, have focused on interrelationships between young and old.

Overall, the demographics in program viewing show a broad outreach in the elderly television viewing community. Much of the research also points to local programming as an effective means of reaching elderly Americans. It can sometimes be better done locally because a station can, through call-in programs, refer its viewers to local agencies for assistance.

Question. Are any of these new initiatives going to involve public radio?

Answer. Yes they are. CPB has funded children's radio projects for several years and plans to increase research and radio production efforts in an attempt to identify and address the needs of children under 12 years old.

Questions Submitted by Senator William Proxmire

ENHANCED UNDERWRITING

Question. Mr. Pfister, I was interested to learn that the Federal Communications Commission has modified its policies to allow the use of "enhanced underwriting." As you know, a coalition of public broadcasting television stations lobbied Congress for passage of such legislation last year. What feedback have you had to date on the experiment?

Answer. In March 1984, after CPB and various other public broadcasting organizations urged the FCC to permit the use of trade names in identifying corporate donors, the FCC relaxed its strict rules. Under the FCC's revised rules, donor acknowledgements may include:

(1) a logogram or slogan that identifies the donor but does not promote the donor or its products;

(2) the location of the donor;

(3) value-neutral descriptions of a product line or service; and

(4) trade names and product or service listings that aid in identifying the donor.

As to the effect of these revisions on overall public broadcasting revenue, it is not possible for an accurate calculation to be made from the data received by CPB in stations' annual financial reports. The reports require stations to disclose revenues received in broad general categories of single activities.

Thus, revenue attributable directly to the liberalization of rules providing for enhanced underwriting would be reported in a lump sum with revenue attributable to other similar fundraising activities.

CPB BUDGETED EXPENSES

Question. I notice there's an estimated increase of $1.3 million next year under Education, Human Resources and Policy Development. Why is this?

Answer. This increase in due principally to the increased commitment by CPB to children's and educational programming. In FY 1985, CPB committed $4 million, an increase of $2 million over the original commitment. In FY 1986, CPB increased its commitment by another $2 million to $6 million. One of the sources of funds for this activity (approximately $1 million) is CPB's discretionary funds represented by this line item of the budget. The remainder of the $1.3 million increase is to restore some funds for research and planning, and to fund a minority executive search effort.

CPB ADMINISTRATIVE COSTS

Question. How about the $300 thousand increase in administrative costs next year. What's included in this?

Answer. The increase will be used for the increased costs of rent under a renewed lease which took effect mid-way in FY 1985, and the cost of salary increases for CPB employees.

LOCAL PROGRAM PRODUCTION

Question. I was surprised to learn that only 6.7 percent of public broadcasting's programs are locally produced. How does this compare with other broadcasting systems?

Answer. We do not have data on local program production at stations affiliated with other broadcasting systems because this type of data is not easily collected, since it involves surveying every station (not the networks) to determine what is carried by each affiliate by source of production. We do conduct that type of survey of all public broadcasting stations every other year.

Your question raises a very important point that is frequently misunderstood about how a station serves a local community. All decisions on what programming will be aired locally, and when they will be shown, are made by a local program director committed to serving the local community with a service which is distinct from other media offerings. These decisions are made within resource constraints and in a manner responsive to the local community through the licensee's governing board.

The program directors selects programs from a variety of sources to serve the community; the national feed from PBS is only one source. Offerings from other nonlocal sources - other stations, independent producers, regional consortia - are also used. More importantly, outside of the prime time evening schedule, most stations craft a schedule from a plethora of sources - and it is this opportunity which meets public broadcasting's objective for meeting the diverse needs of a diverse public, in a way commercial mass media cannot begin to serve.

The 6.7 percent of total system programming which is produced locally remains a crucial part of public broadcasting, even as production costs increase to the point where it is more and more difficult for stations to sustain this production. The local productions, dealing with local issues, often has the greatest impact of the community. Nonetheless, a diversity of program sources, to include both local production and national distribution, is more important to serving local needs than increasing substantially the share from any particular source.

Question. Given such a small proportion of local productions, perhaps it might be more cost effective to eliminate smaller stations, leaving the hardware in place to transmit national programming such as Masterpiece Theater. Have you had to shut down any stations because of budgetary restraints over the past four years?

Answer. CPB has no authority to shut down stations. CPB funds are provided to local stations after the local community has aggregated sufficient funds, facilities, personnel and programming to qualify for incentive grants from CPB. No CPB-qualified radio stations have ceased operations during the past four years. The licensees of two television stations, WCAE, St. John, Indiana, and KZLN, Harlington, Texas, chose voluntarily to cease operations at their stations due to budgetary restraints.

The quantity of local production by public TV stations is not much different from commercial TV. That is because TV production is very expensive and the level of local production is considered good. National programs such as Masterpiece Theater are expensive to buy, and it is the funds from local stations across the country that support the broadcast of those national programs.

Question Submitted by Senator Daniel K. Inouye

CHILDREN'S PROGRAMMING

Question. I was very pleased to learn that CPB is planning on continuing to give a high priority this year to programs targeted towards our nation's children. I would appreciate your providing the committee with a brief report describing any plans which you might have for targeting efforts towards "gifted and talented" children, and especially towards handicapped and/or minority gifted and talented children.

Answer. Children's programming is CPB's top program priority area and has been for several years now. Much of the funding for children's programming during these years has been used for the continuation and maintenance of existing efforts such as 3-2-1 Contact.

New initiatives in the area of children's programming have slowly been developed over the past few years as additional funds have been made available. These initiatives were designed to appeal to all children, as well as to encourage children and family viewing, as in the highly-acclaimed new series, WonderWorks. With the limited funds available, efforts to target programming to specific groups within the children's viewing audience have not been possible.

At present, children's program projects must compete for limited dollars with those in the news and public affairs area, in drama and the arts, and in the general cultural area through the Open Solicitation process. Aware of the highly competitive nature of the Open Solicitation process, the children's producing community has not been actively conceptualizing new program ideas which specialize in heretofore unexplored territory such as programming for gifted and talented children or that specifically targeted to handicapped children.

A few years ago, CPB did partially fund two seasons of Rainbows' End, a series of programs designed specifically for hearing-impaired children. In addition, several individual programs on the hearing-impaired received funds from CPB.

In recent months, CPB has joined with the National Audubon Society and the Young Naturalists Foundation of Canada in funding a new series of children's programs entitled Owl Television. A featured segment within this series will focus on gifted and talented young people in the area of nature, science and conservation.

In addition, two projects recently under consideration by the CPB Program Fund dealt with child prodigies. A similar program was also recently produced and aired on PBS as part of the NOVA series.

In the area of new initiatives targeted to minority children, the CPB Program Fund is constantly seeking high quality proposal submissions by and about minorities. The need for increased awareness and attention to this area of programming is inherent in the mandate of the CPB Program Fund. Rather than categorizing minority programming as a particular "area" of programming, we prefer to see good programming by and about minorities interwoven throughout all of our program areas and we consider it a priority in each of those areas.

With increased funding for children's programming which is proposed for FY 1986, we look forward to the possibility of creating new programs that will explore areas involving segments of the children's community that we have yet to reach.

FEDERAL MINE SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF RICHARD V. BACKLEY, ACTING CHAIRMAN

ACCOMPANIED BY:
JAMES A. LASTOWKA, COMMISSIONER
PAUL MERLIN, CHIEF ADMINISTRATIVE LAW JUDGE

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Our next witness this morning is Mr. Richard Backley, the Acting Chairman of the Federal Mine Safety and Health Review Commission.

Mr. Backley, please introduce your colleagues and proceed as you wish.

Mr. BACKLEY. Thank you, Mr. Chairman.

To my right is Commissioner James Lastowka, and to my left is Chief Administrative Law Judge Paul Merlin. I would ask at this time that my prepared statement be entered in the record.

I have very little to add to that. As you will note, we are here to request an appropriation of $3,309,000, about $164,000 less than our fiscal year 1985 appropriation. However, on page 1 of the prepared statement, I have indicated that of the $164,000 decrease, from 1985, $36,000 of that amount is contained in a supplemental appropriations bill now pending before the Congress. At the time we requested the supplemental, we thought it would be necessary for us to utilize those funds to absorb the pay raise that became effective in the first part of this year.

As a result of several vacancies upon the Commission, we find we no longer need the $36,000. We are talking a budget decrease of $128,000. Most of this figure is accomplished through the President's paycut proposal of approximately $100,000. The remainder would be made up as a result of certain changes in staffing; staffing at lower grades, while not diminishing the quality of the work of the Commission. We are talking specifically about staffing attorneys at entry level grades. This also includes space reductions that will be implemented in our Denver office.

There is one point I would just like to stress. I have been on the Commission for 7 years, and during that period we have gone from a $4.5 million budget to the present figure. Our caseload has been approximately the same over that period of time. I in no way see that this request for funding will impede in any manner the services that we can provide.

PREPARED STATEMENT

Beyond that, Mr. Chairman, I stand ready for questions.
[The statement follows:]

STATEMENT OF RICHARD V. BACKLEY

Mr. Chairman, it is a pleasure to appear before you and the Committee to present justification for our fiscal year 1986 budget request in the amount of $3,709,000.

This request represents a decrease of $164,000 from our FY 85 budget of $3,873,000, or a four percent reduction of funds requested for the current fiscal year.* We believe that our budget request will permit us to carry out our statutory mandate as set forth in the Federal Mine Safety and Health Act of 1977 which is to provide administrative trial and appellate review of the Department of Labor's Mine Safety enforcement program. The Federal Mine Safety and Health Review Commission exists to objectively and neutrally adjudicate legal disputes arising under the Mine Act among or between mine operators, the Department of Labor and miners. We are an independent Commission, a fact overlooked by some to this day, and not part of the Department of Labor or any of its components.

The five-member Commission provides administrative appellate review. Its functions include reviewing all administrative law judge decisions, ruling on Petitions for Discretionary Review, directing review sua sponte for cases that may be contrary to law or policy or that may present novel questions of policy, and issuing decisions that affirm, modify or vacate decisions directed for review. If not reviewed, an administrative law judge's decision becomes a final, non-precedential order of the Commission. Appeals from Commission final decisions are to the U. S. Courts of Appeals.

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* $36,000 of the $3,873,000 is pending approval by Congress as part of an overall supplemental appropriations bill. At the time of our request it appeared that this amount would be necessary to meet costs for absorbing the pay raise effective January 1, 1985. However, as a result of vacancies on the Commission, we are presently able to absorb such cost without the need for the supplemental appropriation.

We began fiscal 1984 with 964 pending cases and received 1,412 new cases during the year. Of this total caseload, 488 were disposed of prior to hearing, by settlement approved by the administrative law judges, 536 were disposed of on motion or by stipulated record, and 351 were fully tried prior to decisions. At the close of the year, the pending caseload before the judges was 1,001. It is of importance to note that the number of cases fully tried before decisions has increased over the past year. We believe that this reflects the increase of significant and complex issues now facing the Commission, a trend which should continue.

Petitions requesting review of administrative law judges' decisions were filed in 62 cases during the 1984 fiscal year. The Commissioners voted to grant review in 36 of these cases. In addition, the Commission granted requests for reconsideration in three cases and received four remands from the courts of appeals. Oral argument was heard in seven cases on review. The Commission issued decisions or orders disposing of 78 cases during the year. Forty-three cases were pending review at the year's close, the beginning of the current fiscal year.

We anticipate a small increase in the number of new cases filed in FY 85, as non-coal mines begin to increase production levels. We expect that 1,570 new cases will be filed during FY 85 and project that 1,430 will be disposed of by the administrative law judges. This will leave a balance of 1,120 cases at the end of the year.

Based on current estimates of mine inspections by MSHA to be performed in FY 86, we expect to receive 1,710 new cases in that year.

We anticipate no appreciable change in cases called for full review before the Commission in fiscal year 1985. While the number of actual Petitions for Discretionary Review expected, i.e., 57, is essentially the same as FY 84, we project that 34 of those Petitions will be granted. An additional nine cases are anticipated through reconsideration, sua sponte review and remands. An increase to 62 Petitions for Discretionary Review and full review directed in 37 cases is projected for FY 86.

The Commission continues in its efforts to provide timely, efficient and neutral adjudication of disputes under the Mine Act. Our budget request for Fiscal Year 1986 will not impair the level of services provided by the Commission, notwithstanding our request of a reduction in the amount of $164,000 from the funds appropriated in FY 85. A large portion of the reduction, approximately $100,000, can be attributed to the pay cut proposal. Reduction in leased space and grade level also contributed to the reduction in needed funding. Grade reduction has been accomplished by staffing higher graded vacancies with competent personnel at the entry level of career ladders, not by downgrading.

Our budget request is in line with the desire of all to restrain expenditures without adversely impairing our statutory obligation which is the prompt and fair disposition of cases that come before us. This we can do with our requested appropriation.

Thank you for the opportunity to present this statement. I stand ready to respond to questions by the Committee.

CASE BACKLOG

Senator WEICKER. You project a case backlog increase from 964 pending cases in 1984 to 1,120 cases at the close of 1985, an increase of 16 percent.

Mr. BACKLEY. Yes.

BUDGET DECREASE

Senator WEICKER. You are also projecting an increased caseload for fiscal year 1986 of almost 10 percent. Yet, you are requesting a budget 4 percent less in 1986 than in 1985.

Mr. BACKLEY. Yes.

Senator WEICKER. How do you justify that?

Mr. BACKLEY. We have done several things. Previously, we had 12 administrative law judges, but we are now operating with a complement of 11. One of the 12 was a deputy chief administrative law judge. There is no longer a need, given the size of our agency, to maintain that title. Accordingly, we have done away with the title. The judge who formerly occupied this position is conducting hearings on a full-time basis.

Additionally we had a judge who suffered an illness for a period of time, and who has returned to full-time duty. We have the necessary personnel to handle the cases. For example, the administrative law judges' productivity has increased from approximately 9 cases per judge per year to about 13.4 over the last 6 months. We have installed a computer system that tracks the cases more efficiently, giving the chief judge the status of the case and how long it has been pending. This tracking also, directly or indirectly, exercises some peer pressure on those whose names appear.

COMMISSIONERS

Senator WEICKER. I understand that your authorizing legislation provides for five commissioners. Is that correct?

Mr. BACKLEY. That is correct, Mr. Chairman.

Senator WEICKER. How many are currently sitting on the Commission?

Mr. BACKLEY. We have three. One was unable to be here because he is in travel status.

Senator WEICKER. How long have these slots been vacant, and when will they be filled?

Mr. BACKLEY. They have been vacant since August 30, 1984. Mrs. Collyer, our former Chairman who appeared before you last year, has departed to be general counsel at the NLRB. She was quite an asset, I may add. I talked to the White House as recently as yesterday, and I have been advised they are very close to a decision. I would guess a decision may be made within the next 2 to 3 months but because of the time to make security clearances, I don't want to be held to that.

Senator WEICKER. You are saying that they are going to fill the two vacancies?

Mr. BACKLEY. Right.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record, otherwise, thank you very much.

Mr. BACKLEY. Will that include Senator Specter's questions?

Senator WEICKER. Senator Specter's questions will be submitted for response to the record.

Mr. BACKLEY. Thank you very much. We appreciate it.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

BUDGET DECREASE

QUESTION: You project a case backlog increase from 964 pending cases in 1984 to 1120 cases at the close of 1985 -- an increase of 16 percent. You are also projecting an increased caseload for FY 1986 of almost 10 percent. Yet you are requesting a budget for FY 1986 four percent less than FY 1985. How can you justify that request?

ANSWER: The justification lies in the areas where the reductions are made. As indicated in my opening statement, approximately $100,000 will occur as a result of the pay cut proposal. The remaining $64,000 will be absorbed by replacing vacant higher graded positions with competent entry level personnel.

QUESTION: You claim that pay cost reduction will be accomplished by replacing higher grade positions with competent entry level personnel. Won't their efficiency be affected by lack of experience.

ANSWER: Experience has shown us that while there is a breaking-in period, competent entry level personnel working closely with more experienced personnel perform well. If the ability and ambition are there, it is only a question of getting the needed experience. We have found that this comes quickly and does not impact adversely upon the efficiency of the agency.

COMPLEX CASES

QUESTION: Your statement indicates that cases with "significant and complex issues" now face the Commission and that you expect this trend to continue. What are these issues and why are they appearing at this time?

ANSWER: Generically, and particularly in mine health and safety, as the body of case law grows, the level of advocacy increases, resulting in a more sophisticated and technical representation before the Commission. Put another way, the shakedown period is over. Further, the substantive mine health and safety issues are dynamic areas in which new technology continues to produce a fertile field of new legal issues. Finally, it has been our observation that the Mine Safety and Health Administration has also continued to refine its enforcement efforts, especially in the area of health. Because long term health hazards are somewhat insidious and not nearly as easy to measure or observe as safety hazards, the presentation and prosecution of health issues often are significantly more complex and far reaching in impact to the industry. In this regard, we have already issued a major decision with respect to noise and we anticipate more cases in the health area.

COMMISSIONERS

QUESTION: I understand that your authorizing legislation provides for five Commissioners -- is that correct?

ANSWER: Yes, Senator.

QUESTION: How many are currently sitting on the Commission?

ANSWER: At the current time we have three sitting Commissioners.

QUESTION: How long have these spots been vacant, and when will they be filled?

ANSWER: We have been operating with three Commissioners, a legal quorum, since August 30, 1984. It is my understanding that we should be at full complement within two or three months.

LAW CLERKS

QUESTION: Would the hiring of law clerks for your judges allow them to handle an increased number of cases?

ANSWER: Yes, to a certain extent law clerks would be helpful. However, under the Administrative Procedure Act, the Administrative Law Judge must hear, decide and write the case. The law clerks have been helpful in drafting the decision under the direction of the ALJ. To what extent this would allow the ALJ to handle more cases is uncertain.

QUESTION: Have you considered hiring law clerks for your judges?

ANSWER: We have and are still considering the proposition. Budgetary constraints, however, impact on this decision.

QUESTION: How much funding would be necessary to provide a law clerk for each judge?

ANSWER: The cost, Senator, would be $280,379.

ADMINISTRATIVE LAW JUDGES

QUESTION: You are now operating with 12 administrative law judges. Am I correct?

ANSWER: We are now operating with eleven administrative law judges. Again, we do not anticipate any adverse impact on our case level. The Commission no longer has an Assistant Chief Administrative Law Judge responsible for administering the Falls Church office. That judge is now devoting full time to hearing and deciding cases. The Chief ALJ administers all administrative law judge operations at the Falls Church office as well as at Commission headquarters.

Further, the cases have been placed on our computer, enabling better tracking of cases and a more efficient case assignment process. I would like to add that the ALJ disposition rate for the first six months of FY 85 is 13.4, up from 9.9 cases for the last ten months of FY 84.

QUESTION: What is your authorized level for administrative law judges?

ANSWER: Our authorized level is 12.

QUESTION: Will you be maintaining the same number of administrative law judges in FY 1986?

ANSWER: We will operate with 11 ALJs in FY 1986.

Questions Submitted by Senator William Proxmire

STAFFING

QUESTION: At the end of fiscal year 1984 six of your permanent positions -- about 10 percent of the total -- remained unfilled as compared with two unfilled positions at the end of 1983. Can you tell us why you were unable to fill these positions?

ANSWER: We are operating without two Commissioners, an Executive Director and a General Counsel. Once the two Commissioners are hired, each will hire a secretary and a counsel. This will total six permanent employees. Until the Commissioners are nominated and confirmed we cannot fill their staffs.

QUESTION: I notice that two of your five top positions remained unfilled at the end of the last fiscal year. Are these positions currently filled?

ANSWER: No, Senator, they are not.

QUESTION: What effect has your inability to fill theses Executive Level IV positions had on your operations?

ANSWER: No effect insofar as case dispositions are concerned, the three sitting Commissioners constitute a legal quorum under the law.

ALJS

QUESTION: Mr. Backley, last year Chairman Collyer told us that the absence of an administrative law judge, who had been ill for some time, was having an adverse impact on your ability to process cases. She went on to say that she expected the judge to return or be replaced in 1985. Can you tell us if this situation has been resolved?

ANSWER: I am glad to say that it has. The judge in question has returned and is presently carrying a full caseload.

TRAVEL

QUESTION: You initially estimated travel costs of $105,000 in 1985. Currently you project a 1985 travel budget of $94,000 falling to $80,000 in 1986. How will these travel reductions affect your oeprations?

ANSWER: Actually our travel request more accurately reflects our needs based upon a review of past years. As an example, our budget request for FY 84 for travel was $91,000 of which $79,000 was actually spent. Also, during the first six months of the current fiscal year we have obligated $34,399 or 30% of our request of $94,000 for FY 85. I do not foresee our operations being adversely affected by our FY 86 request.

QUESTIONS SUBMITTED BY SENATOR ARLEN SPECTER

QUESTION: How many administrative law judges does the Commission currently maintain?

ANSWER: Eleven.

CASELOAD

QUESTION: What is the current caseload number for each administrative law judge?

ANSWER: On an average, 70.

QUESTION: What is the average time length for each claim to come to a final resolution within the Commission?

ANSWER: This question is somewhat difficult to answer because of the word "average." On "average" it takes an administrative law judge eleven months to dispose of a case once it is assigned to him. At the Commission level the time for disposition has fluctuated between 8 and 16 months, and on average about a year.

I am sure that you can appreciate that the Mine Act provides time frames for answers or other responses.

Further, Commission Rules allow for discovery, motions to enlarge time requirements and oral argument, among other legal procedures. Accordingly, while a case may be docketed for a period of time, it is normally being actively pursued by the parties and the Commission.

QUESTION: What is the Commission's current experience with respect to backlogs in caseloads?

ANSWER: Our caseload has been fairly consistent during my seven years on the Commission. At the ALJ level we normally carry approximately 900-1200 cases. At the Commission level it has been between 40 and 55. This has been our experience during the lifetime of the Commission.

BUDGET DECREASE

QUESTION: The Commission's FY 86 budget request represents a decrease of four percent over the FY 85 level. How will this cutback affect the above statistics?

ANSWER: It will not as I indicated in my response above.

NATIONAL COMMISSION ON LIBRARIES AND INFORMATION SCIENCE

STATEMENT OF ELINOR HASHIM, CHAIRMAN

ACCOMPANIED BY:
BESSIE B. MOORE, VICE CHAIRMAN
TONI CARBO BEARMAN, EXECUTIVE DIRECTOR
MARY ALICE HEDGE RESZETAR, ASSOCIATE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Our next witness this morning is Elinor Hashim, the Chairman of the National Commission on Libraries and Information Science.

Elinor, we welcome you. Please introduce your colleagues and then proceed with your statement.

Ms. HASHIM. On my left is the Vice Chairman, Bessie Moore, and on my right is Toni Bearman, the Executive Director. Mary Alice Reszetar is also with us.

Since you have a statement from me, for the record, I would like to summarize.

MAJOR ISSUES OF CONCERN

The Commission believes that the major issues of concern at the national level and to the library and information community are the role of fees in providing library and information services, developing user skills, meeting the needs of the older adult, eliminating adult illiteracy, using information resources to improve productivity, determining the extent of censorship, and planning a national conference in 1989 on library and information services.

These issues have been addressed within the framework of the Commission's four major program areas that we defined in 1984—access to information, improving library and information services to the changing needs, information technology and productivity, and policy planning and advice.

PREPARED STATEMENT

We would like to use our time to answer any questions.

[The statement follows:]

Statement of Elinor Hashim

As Chairman of the National Commission on Libraries and Information Science (NCLIS), I am pleased to accept your invitation to discuss the Commission's fiscal year 1986 budget.

As part of the Administration's attempt to reduce spending, the Administration is requesting no funding for activities of the Commission in FY 1986.

The Commission is a permanent, independent agency established by PL 91-345 in 1970 to advise the Congress and the President on policy and planning to best meet the library and information service needs of the people of the United States.

For 14 years we have advised the President and Congress and worked closely with the library and information community toward achieving better library and information services for the citizens of the United States.

Over the years, we have published approximately 75 reports and other documents; we have worked in partnership with the private sector which has donated time and inkind services far in excess of our current appropriation level. We have in the past received the equivalent of more than $10.00 from the private sector for every federal dollar spent.

In 1979 we planned and conducted the White House Conference on Library and Information Services, the largest, most successful White House Conference ever. For the past five years, we have worked with representatives from all the states and territories and from federal agencies to implement the 64 conference resolutions. To date we have made significant progress on 55 of them.

In Fiscal Year 1985, we are concentrating on the major areas which I highlighted for you last year. Our major accomplishments in FY 1984 and FY 1985 are as follows:

1. Access to Information

   * Will have completed a study, "The Role of Fees in Supporting Library and Information Services in Public and Academic Libraries." (Study supported in part by the Council on Library Resources)

   * Advised the Department of Commerce and the Congress on archiving data from satellites.

   * Will have described skills needed for finding and using information effectively.

   * Will have assisted planning for increased private sector support of library/information education.

2. Improving Library and Information Services to Meet Changing Needs

   * Will have assisted USDA establish a National Advisory Board on Rural Information Needs.

   * Signed a Memorandum of Understanding with the Administration on Aging concerning meeting the library/ information needs of the elderly and will begin programs at the state and local levels to meet these needs.

   * Initiated adult literacy project at two libraries with the Department of Defense Army Human Engineering Labora-

tory and will have begun a project expansion at a third site.

- At the request of Congress, revised the networking section of NCLIS report,"Toward a National Program of Library and Information Services."

3. Information Technology and Productivity

- Cosponsored first international seminar on Information and Productivity in conjunction with the British Library.

- Implemented some of the recommendations from the White House Conference on Productivity and the US/UK meeting.

- Published, with the cooperation of IBM, "U.S. Population Characteristics and Implications for Library and Information Service". (Center supported in part by ATT Bell Laboratories, OCLC, Inc., and other private sector sources.)

- Planned and will have developed an information center exhibit at the 1985 Conference of the International Federation of Library Associations and Institutions.

4. Policy, Planning, and Advice

- Provided the Congress with technical assistance on library and information legislation, including significant amendments to the Library Services and Construction Act.

- Have begun a review of recommendations and policy issues in the Domestic Council Committee on the Right to Privacy's 1976 Report to the President, "National Information Policy."

- Assisted the Office of Technology Assessment with its study on Intellectual Property Rights.

- At the request of Congress, initiated a study to determine the extent of censorship in public and school libraries over the past decade.

- Continued to advise the Department of State on alternatives to UNESCO information programs and other international library/information/archival programs.

BIOGRAPHY OF ELINOR HASHIM

Miss Elinor M. Hashim
Chairman
National Commission on Libraries
and Information Science

ROB GSA, Suite 3122
7th and D Streets, S.W.
Washington, D.C. 20024

Education:

University of Vermont, B.A. Political Science, 1955
Southern Connecticut State University, M.S. Library Science, 1970

Employment:

Perkin-Elmer Corporation, Norwalk, Connecticut
  Supervisor, Reference and Technical Services, 1981-1985

Welles-Turner Memorial Library, Glastonbury, Connecticut
  Library Director, 1975-81

New Britain Public Library, New Britain, Connecticut, 1971-75
  Head of Circulation Department, 1971-72
  Head of Business, Science and Technology Department, 1972-73
  Head of Reference Department, 1973-75

Mary Cheney Library, Manchester, Connecticut, 1968-71
  Part-time in Circulation and Reference, 1968-69
  Head of Reference Department, 1969-71

United Technologies Research Center, East Hartford, CT., 1956-68
  Engineering Assistant, 1956-58
  Technical Research Assistant, 1958-63
  Supervisor of all Engineering Aides and Assistants, 1963-68

Professional Activities:

National Commission on Libraries and Information Science
  Appointed by President Ronald Reagan, 1981-86
  Chairman, October 1982-Present

Connecticut State Library Board, 1974-82
  Appointed by Governor Thomas Meskill, 1974-79
  Reappointed by Governor Ella Grasso, 1979
  Chairman, 1976-82

Professional Memberships:

American Library Association, Member, 1975-Present
  Public Library Association Membership Committee, 1979-80
  Connecticut Chapter Councilor, 1980-82

American Society for Information Science, Member, 1983-Present

Connecticut Library Association, Member, 1970-Present
  Legislative Chairman, 1971-73
  Representative to New England Library Association, 1973-75
  Nominations Chairman, 1975-76
  Representative to American Library Association, 1980-82

New England Library Association, Member, 1970-Present
  Bylaws Committee, 1972-73
  Connecticut Representative, 1973-75
  Membership Chairman, 1975-76
  Vice-President, 1976-77
  President, 1977-78
  Nominations Chairman, 1979-80

Special Libraries Association, Member, 1981-Present

Honors, Awards:

Connecticut Library Association, Librarian of the Year Award, 1982

Southern Connecticut State University, Distinguished Alumni Award,
  1982, Division of Library Science and Instructional Technology

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Biography of Bessie Boehm Moore

HOME ADDRESS: 712 Legato Road, Briarwood
Little Rock, AR 72205

MAIDEN NAME: Bessie Grace Boehm

BIRTHPLACE: Owensboro, Kentucky

Lived in Arkansas since 1914

MARITAL STATUS: Widow. Married Merlin Malcolm Moore, 1928: deceased, 1958

EDUCATION

1942 - BSE, University of Central Arkansas, Conway, AR.

1962 - MA, University of Connecticut, Storrs, CT.

EXPERIENCE AS EDUCATOR

1962 - 1979	Executive Director, Arkansas State Council on Economic Education.
1970 - 1974	Executive Director Arkansas State Council on Economic Education and State Coordinator, Environmental Education, Arkansas Department of Education, Little Rock, AR.
1962 - 1974	State Supervisor, Economic Education, Arkansas Department of Education, Little Rock, AR.
1959 - 1965	State Supervisor, Elementary Education, Arkansas Department of Education, Little Rock, AR.
1966 - 1967	Consultant to U.S. Office of Education on Economic Education.
1939 - 1944	City Supervisor of Elementary Education, North Little Rock, AR.
1934 - 1939	Supervisor of Nursery Schools, Arkansas Department of Education, Little Rock, AR.
1924 - 1932	County Supervisor of Jefferson County Schools, Pine Bluff, AR.
1916 - 1926	Classroom Teacher, Stone County, Pulaski Company.
1939 - 1944	Summer Faculty University of Arkansas, Fayetteville, University of Arkansas at Monticello, Arkansas Tech University, Russellville, and University of Central Arkansas, Conway.

ADVOCATE FOR LIBRARIES

Member, National Commission on Libraries and Information Science, appointed by President Richard Nixon in 1971, reappointed in 1973. Appointed by President Jimmy Carter for five year term 1979. Appointed by President Reagan for five year term 1983. Vice Chairman since 1972. (Elected by Members)

Honored by American Library Trustee Association with establishment of Bessie Moore Fund, 1981.

Chosen as Honorary Member, American Library Association in recognition of service to libraries, especially in legislation, 1980.

Awarded certificate of special recognition for more than five decades of service to libraries by White House Conference on Libraries and Information Science, 1979.

Member, Advisory Committee to U.S. Commissioner of Education on Library Services Act, 1956-59.

Member, Committees of American Library Association dating back to 1950.

Distinguished Guest Lecturer, School of Library Science Louisiana State University, 1976 and University of Texas, 1979.

Lecturer, University of Michigan (annually since 1974), University of Nebraska, Florida State University, University of Arizona, University of South Florida.

Chairman, Trustees of State Libraries, American Library Association, 1970-1972.

Member, National Book Committee, 1968-1974.

Chairman, Jury on Citation of Trustees, American Library Association, 1969-1970.

Administrative responsibility in Arkansas Department of Education for development of school libraries, 1958-1963.

Delegate, International Federation of Library Associations (IFLA), Italy 1964; Finland 1965; West Germany 1968; Russia 1970; Hungary 1972; Belgium 1977; Washington DC - 1978; Canada 1982.

Member, Legislative Committee, American Library Association, 1961-1967.

Speaker at Library meetings in may states and Canada, including Governor's Conferences on Libraries in ten states.

Testified before House Labor and Education Committee in behalf of Library Services Act, 1956 and in behalf of libraries before both U.S. Senate and House Committee many times in succeeding years.

Winner, American Library Association, Trustee Award, 1954.

National President, American Library Trustees Association, 1957-1959.

Member, Arkansas Library Commission, 1941-1979, Chairman, 1949-1979. (serving under 9 Governors)

Organized first county library in Arkansas, Pine Bluff, AR 1926.

BUSINESS EXPERIENCE

Owned and operated a successful Main Street business in Little Rock for several years.

Member of the Board, Maumelle Land Development, Inc., 1973-1976.

Member, Board of Directors, First National Bank of Little Rock, 1971-1979.

CIVIC AND POLITICAL ACTIVITIES

Member and Finance co-chairman, Sesquicentennial Commission of Arkansas 1983-appointed by Governor Bill Clinton.

Chairman, Ozark Folk Cultural Center Commission, 1963 - (resulted in building and operation of the only folk center of its kind in the nation at Mountain View, AR).

Member, National Board of Governors, American Association for the United Nations, 1950-1957.

Member, United States Committee for UNICEF, 1958-1970.

Member, Committee of Little Rock citizens whose findings resulted in expansion of Little Rock Junior College to 4-year institution, Little Rock University (now University of Arkansas at Little Rock), 1956-1958.

Vice President "Keep Arkansas Green", 1978.

Member, Governor's Advisory Committee on Aging, 1969-1979, 1980-1982, 1984-.

Member, Governor's Advisory Committee on Status of Women, 1968-1970.

Delegate, Democratic National Convention, 1936.

Member, Governmental Affairs Committee, Little Rock Chamber of Commerce, 1950-1958.

Member, Advisory Committee Arkansas Office, Small Business Administration, 1974-1977.

Appointed by U.S. Department of Agriculture to RECD Board, 1974.

Member of the National Committee for sesquicentennial celebration of the birthday of the United States in 1926. (appointed 1924)

ORGANIZATION AFFILIATIONS

Member, American Association of University Women.

Delta Kappa Gamma, Arkansas Founder and State life member, Academy of Independent Scholars.

Past President, Little Rock Soroptimist Club.

Arkansas Congress of Parents and Teachers (Past Vice-President and life member).

Member, International Platform Association.

Member, American Academy of Political and Social Science.

Woman's City Club, Little Rock.

Fine Arts Club, Little Rock.

Arkansas Arts Center, Little Rock.

Quapaw Quarter Association, Little Rock.

HONORS AWARDED BY COLLEGES AND UNIVERSITIES

Honorary Doctor of Laws Degree, University of Arkansas, 1958.

Distinguished Alumna Award, University of Arkansas, 1974.

Honorary Doctor of Laws Degree, University of Arizona, 1977.

Center for Economic Education designated Bessie Boehm Moore Center for Economic Education by Board of Trustees, University of Arkansas, 1978, dedicated, 1979.

Adjunct Professor University of Arkansas at Little Rock, 1979.

Honorary Member, Alumni Association, University of Michigan Library School, 1978.

Honorary Doctor of Library Science Degree UALR 1983.

OTHER HONORS

Listed in:

Chosen to be included in 100 Arkansas Women of Achievement by Arkansas Press Women, 1980.

Who's Who in American Women.

Some Remarkable Women in Arkansas, Volume. I, International Women's Year Publication.

Distinguished Americans of the Bicentennial.

World Who's Who of Women.

Who's Who in the South and Southwest.

Directory of Education Specialists.

Academy of American Educators 1973-1974.

Arkansans of the Years, Volume. I.

Community Leaders and Noteworthy Americans.

Personalities of the South.

Dictionary of International Biography, Volume. XVI.

Appointed by Secretary McNamara to the Defense Advisory Committee on Women in the Services (DACOWITS), 1961-1964.

Selected by Department of State to be guest of Republic of West Germany to inspect and evaluate effects of Marshall Plan Aid, 1964.

Selected by Defense Department as a member of DACOWITS to visit military installations including hospitals, to see conditions under which women in the armed services were serving abroad, 1954.

Member, Radio Free Europe Tour, 1961 (Crusade for Freedom).

George Washington Medal of Honor by Freedoms Foundation, 1969, for Distinguished Service to Education.

National Association of Economic Educators, President, 1971.

Chosen by National Association of Economic Educators and Joint Council on Economic Education to receive "Distinguished Service to Economic Education", 1983.

ARKANSAS HONORS

Commended by the Legislative Council, General Assembly of Arkansas, May 1983 (Interim Resolution 83-4) on her many outstanding contributions to education and libraries in the State of Arkansas and the United States.

Chosen as Arkansas "Citizen of the Year 1979" by the March of Dimes.

Honored by Joint Council on Economic Education for contributions to the continuing cause of better economic understanding 1982.

Arkansas Woman of the Year 1952 (elected by popular vote in newspaper poll).

Distinguished Leadership Award, Arkansas Bankers Association, 1978.

C. E. Palmer Distinguished Service Award, 1959 (Given to the citizen of Arkansas who is judged to have given the finest service to the state the preceding year. Only woman ever to receive the award. Among other winners are the late Governor Winthrop Rockefeller and Senator J. William Fulbright).

Awarded certificate of recognition by Governor Bill Clinton for distinguished public service, 1979.

Member of the Board, Arkansas Foundation of Associated Colleges, 1975-1977.

Member, Advisory Committee, College of Business Administration, University of Arkansas at Fayetteville, 1967-1972.

Member, Advisory Committee, College of Business Administration, Arkansas State University, Jonesboro, 1973-1976.

Member, Advisory Committee, College of Business Administration, University of Arkansas at Little Rock, 1975.

Named to Honorary Membership Beta Gamma Sigma, University of Arkansas Chapter, 1979.

Honorary Member Award and Shield Honor Society, Little Rock University, 1964.

Chosen Arkansas Educator of the Year by Arkansas Business and Professional Women's Club, 1968.

Awards from Arkansas State Chamber of Commerce, 1964 and 1978, for Distinguished Service to Arkansas in Economic Education.

Distinguished Service Award, American Association of University Women, Arkansas Branch, 1966.

Honorary Membership in Arkansas Library Association for Distinguished Service to Libraries, 1966.

RECOGNITIONS BY OTHER STATES

Colonel, Aide-de-Camp to Governor of New Mexico, 1974.

Kentucky Colonel, 1967.

Honorary Citizen, West Virginia, 1976.

Colonel, Aide-de-Camp to Governor of Louisiana, 1975.

Admiral, Great Navy State of Nebraska, 1968.

Arkansas Traveler, 1952.

Honorary Citizen, Lubbock, Texas, 1967.

Distinguished Visitor, Guatamala City, 1979.

CHURCH

Member, The First United Methodist Church, Little Rock, AR.

HIGHLIGHTS

Started teaching school at age 14 at St. James, Stone County, Arkansas.

Served 38 years under 9 Governors (Homer Adkins to Bill Clinton) on the Arkansas Library Commission, as Chairman the last 20 years.

As a member of the staff of the Arkansas Department of Education had responsibility for development of school libraries 1959-1965.

Appointed by President Lyndon Johnson to the National Advisory Commission on Libraries 1965-1967.

Has had four appointments to National Commission on Libraries and Information Science by three Presidents of the United States (Nixon (twice), Carter and Reagan).

Continues in active role of lecturing at leading universities, consulting in economic and career education, serving as a library advocate and a world traveler at age 82.

Has reflected credit on the State through her many contacts and broad acquaintances in this country and in other countries where she has traveled both officially and privately.

She is a real Arkansas Traveler.

Biography of Toni Carbo Bearman

Since November 1980 Toni Carbo Bearman has been the Executive Director of the National Commission on Libraries and Information Science.

Dr. Bearman has been active in the library and information profession since February 1962. From September 1979-November 15, 1980, Dr. Bearman served as a senior consultant for strategic planning and new product development at the Institution of Electrical Engineers in London. For five years, she served as the Executive Director of the National Federation of Abstracting and Indexing Services (NFAIS). Previously, at Drexel University she worked as both a teaching and research assistant, coordinating a major international research project, assisting with curriculum development, and chairing the student chapter of the American Society for Information Science, while she was a masters and doctoral student. Between 1963 and 1971, Dr. Bearman worked in university libraries, in both public and technical services at Brown University, and the University of Washington Engineering Library. Her work at the American Mathematical Society included reference and supervision of the serials collection.

Dr. Bearman has an A.B. degree from Brown University and an M.S. degree from the Drexel University College of Information Studies from which she received the Alumni Association's Outstanding Graduate Award. In 1977, she received from Drexel University the first PhD degree in the United States in the management of information resources. She received the Distinguished Alumni Award from the College of Information Studies at Drexel University in 1984.

Dr. Bearman's expertise combines both theoretical research and practical experience in university libraries, education, information science organizations, and publishing. She has published extensively in the professional literature, has directed several international research projects, has organized and chaired technical programs at national and international conferences and seminars, and is on the editorial boards of five publications.

She has been active in many professional societies. In the American Society for Information Science, Dr. Bearman received the Watson Davis Award for Continuous Dedicated Service to the Membership of the American Society of Information Science in October 1983. She served on the Board of Directors from 1978-1981. She serves as a member of the Advisory Committee on the Annual Review of Information Science and Technology. Previously, she served as Chairman of the Delaware Valley Chapter and of the Special Interest Group on Library Automation and Networks the year it won the SIG-of-the Year Award. She has chaired and/or served on the Networking, International Relations, Intersociety Cooperation, and Financial Investment Committees and the task force on the International Information Public Affairs Program. Also active in several other associations, Dr. Bearman is a fellow of the American Association for the Advancement of Science (AAAS) and the Institute of Information Scientists (IIS).

Dr. Bearman has also served on the boards of several other organizations, including the American Society of Indexers, the Association of Information and Dissemination Centers, the U.S. National Committee for the UNESCO General Information Program, and the Center for Literacy. She is a member of the Task Force on Futures of the American Chemical Society's Committee on Chemical Abstracts Service, and the Advisory Board of the ERIC Clearinghouse on Information Resources. Since 1981, she has served as a member of the Advisory Council of Engineering Information, Inc.

Her international experience is extensive. In 1976, she developed and chaired an international seminar on indexing under UNESCO sponsorship. She has written educational materials for UNESCO, NATO, AGARD, NFAIS, and the American Library Association's World Encyclopedia. She served on the Department of Commerce Technical Advisory Board's Committee on Scientific and Technical Information Policy and the ASIS International Relations Committee. Formerly, she was a member of the U.S. National Committee for the International Council of Scientific Unions Abstracting Board (ICSUAB), and directed the U.S. National Committee for the UNESCO General Information Program.

She has directed several major international research projects, in cooperation with organizations in the Netherlands, Belgium, and the United Kingdom. Dr. Bearman has served on numerous planning and program committees for international conferences, including the Cranfield Conference and the first jointly hosted conference of the Institute of Information Scientists and ASIS in Dublin in 1982. She chaired the Technical Program Committee for the International Federation of Scientific Editors and Authors 1983 Joint Conference with the Council of Biology Editors and the Society for Scholarly Publishing and is a member of the Planning Committee for the 1985 Conference of the International Federation of Library Associations and Institutions.

ADMINISTRATION'S BUDGET REQUEST

Senator **Weicker**. As you know, the administration's budget submission does not request any funding for the Commission. It recommends that the Commission be eliminated. I think they have done this in years past, haven't they?

Mr. **Bongard**. That is right.

Senator **Weicker**. How many years have they done that?

Ms. **Hashim**. Twice.

Senator **Weicker**. Is this the second year or the third year?

Ms. **Hashim**. It is the second.

Senator **Weicker**. Did they give you any reasons as to the elimination of your Commission?

Ms. **Hashim**. Yes; first of all, we are a low-priority program within the context of the Federal budget. But the reason that was stressed to me by the staff at OMB was that the administration feels that the funding of library programs is a State and local responsibility. I tried to point out that we are an agency which does not fund libraries, however, we have libraries in our name. We were caught in that trap, the concept that funding for libraries should be a State and local effort.

I pointed out to the administration, because I feel very strongly about it, that we are very important on the Federal level. We are the only agency on the Federal level which can act for libraries and be a focal point to bring together providers of information and users of information, to point out problems in the library and information world, and try to bring about some solutions.

FUNDING FOR LIBRARIES

As you know, in the matter of funding for libraries, I am on the record as supporting three levels of funding for libraries: State, local, and Federal. All have a responsibility, I think, in funding library programs.

Senator **Weicker**. I know that, and I also know that the funding level for libraries is at zero by the administration.

I always point out the Federal role in education. I think sometimes when Washington speaks, or more particularly this administration, on the Federal role in education, it tends to confuse the issue to the extent that most people don't realize that there is a very small role for the Federal Government, No. 1, but it focuses on sort of specialized areas such as the retarded, the disabled, the handicapped, et cetera, where the political clout at the local or State level is not sufficient to produce the money to go ahead with assistance. So it is a very specialized and a very important role, but it is not a very big role.

With that as an example of what I am looking for, what is the Federal role in the library picture as far as Federal funding is concerned? Again, I suspect that most of your funding comes from the State and local governments.

Ms. **Hashim**. Absolutely. The Federal funding for libraries is the smallest proportion that libraries receive. Most of it is local, a little more from the State, and very little from the Federal Government.

However, just as you described the role of Federal funds for education, it is very similar in the matter of libraries. Very specialized areas have been able to be served which would not have been served without those Federal funds. The Federal funds go to State libraries to administer, and they are used for serving the underserved, enabling the States to use resource sharing, networking, helping special groups of the population that would not have been served had those efforts not been carried out with the Federal funding.

It serves as a catalyst, in some instances, to get some programs started which are then continued by the State or local government. The Federal funding has always provided the necessary seed money to begin implementing the needed services that would not otherwise have been provided.

Senator WEICKER. Can you give a specific example of a program that was founded with seed money, or whatever, from the Federal Government that has been unique, or has been extraordinarily successful?

LIBRARY SERVICES FOR BLIND AND HANDICAPPED

Ms. HASHIM. The programs for the libraries for the blind and the physically handicapped, I think, first come to mind as very important programs.

In our own State of Connecticut, I think that a lot of the resource sharing and networking, the cooperatives, the multitype library cooperatives that have been funded in the State to enable people, from wherever they live, to access library materials. Those programs were started with Federal funds, and then carried on by the State.

I was chairing the Connecticut State Library Board at the time that we started those six cooperative units in Connecticut, and the money came from the Federal funds.

Ms. MOORE. I was also chairing the Arkansas Library Commission at the same time Ms. Hashim was, Mr. Chairman, and this is also true in Arkansas. We would never have had the State funds or perhaps the courage and the wisdom to do it without the Federal help.

COMMISSION'S FOCUS AND CREDIBILITY

Ms. BEARMAN. If I may add something, too, Mr. Chairman. I spoke with a librarian just this week from Detroit. She said the kind of attention that the national commission has been able to focus on a problem, to be able to bring specific recommendations, for example in the area of community information and referral, would never have happened without the existence of the Commission as a Federal body. The community information and referral aspect of our public libraries is very, very important. It provides information to our senior citizens, information about child care and programs for handicapped citizens, to name a few. It helps the library to be a focal point for information about its particular community.

As you know, the Commission had a community information and referral task force which came up with very specific recommendations on what can be done. She said that our report has become a bible for community information and referral, similar to the project that we did several years ago on the role of school media centers and networking. Many of our school libraries were not, at the time, included in the cooperative networks to share resources. I was told by a librarian in New York that every school librarian in New York State has a copy of that report. She said that her copy is just about worn out because she refers to it so frequently.

It is the national focus and the credibility that is present. It is not the number of dollars, obviously, with our $720,000, and with the small amounts of Federal funds used in our public and academic libraries in this country. It is not the dollars, it is the impetus.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. All right, I have further questions for response to the record. I thank you for your appearance here today. I will be very surprised if we go along with the administration request, but that is something for the committee to decide. Thank you very much.

Ms. HASHIM. Thank you very much, Senator.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

QUESTION: The Administration budget submission does not request FY 1986 funding for the Commission and recommends that the Commission be eliminated. Do you agree with that recommendation?

ANSWER: The Commission disagrees with the Administration on this point. I have great respect for the Administration and its efforts to reduce the deficit and reduce budgets. As a committed librarian, however, and as Chairman of this Commission, I certainly cannot agree that we should be eliminated.

I think we are important for this country, for the library and information community, for the Congress and for the Administration. We are the only agency on the Federal level that can serve as a focal point for bringing together various constituencies at the local, state and Federal levels in the library and information field. I think our survival is crucial.

QUESTION: What reasons has the Administration given for the elimination of the Commission in FY 1986? Did you appeal that decision, and to whom did the appeal go? What was the response to your appeal?

ANSWER: The Administration believes that it is a state and local responsibility to fund library services. Even though we are clearly a policy advisory agency, not a funding agency, I am afraid the word "libraries" in our name caught us up in a larger cost savings effort, that of withdrawing federal support from library programs. There seems to be a lack of understanding at the highest levels of the Administration of our real purpose.

We had very limited appeal opportunities concerning our FY 1986 budget request. There was essentially no appeal process within OMB. On Friday, December 21, OMB informed me of its recommendation to the President that we receive no funding in FY 1986. I was told to address my appeal to an assistant to the President. I called daily for two weeks but my calls were never returned. Early in January, I finally sent a letter to which I received no response.

Censorship Study

QUESTION: Last year this Committee directed the Commission to conduct a study to determine the extent of censorship in American libraries. Can you give us the current status of that study?

ANSWER: On February 22, 1985 a panel of experts consisting of representatives from organizations and agencies concerned with censorship activities met at the NCLIS office to discuss the Congressional charge to the Commission and identify probable and possible sources having databanks that could be used in the study leading to the requested report. Organizations and agencies represented were the National Council of Teachers of English, Author's League of America, National Coalition Against Censorship, Association of American Publishers, American Library Association, American Civil Liberties Union, and People for the American Way.

The panel recommended assessing the five levels of activity that lead to censorship, which is the actual removal of materials by any governing body. The five levels are: inquiry, expression of concern, complaint, challenge and attack. It is hoped that such an examination will lead to a clearer picture of the ultimate level-censorship.

A contract has been let with the Allen Corporation of America for the project and an expert consultant, Dr. Mary J. DeWeaver, will be the project director. She has recently completed a highly acclaimed study for the Department of Education on the "Role of Viewtex in Libraries." Dr. DeWeaver will collect, analyze, and synthesize the available data, construct an annotated bibliography and draft the report.

The contract was let April 15 and the draft report is due in the Commission office on October 30, 1985. The Commission will discuss the report at its December meeting, and submit the final report to you in January.

FY 1986 NCLIS Program Highlights

QUESTION: Can you give us a few examples of the most important projects the National Commission should do in 1986.

ANSWER: I will list some highlights of very important programs in three areas which we have planned for FY 1986. Some of these are continuations of programs begun in previous years, and some of them are new. All have far-reaching implications for the improvement of library service in this country. I also mentioned some of these in my statement.

Access to Information:

1. The role of fees - With outside support in FY 1985, we conducted an assessment of the role of fees in supporting library services. This important study was disseminated widely to the library community and others. Implementation of recommendations and possible further action is planned for 1986.

2. Acquiring and using information - "A Nation at Risk" and other similar reports not only neglected to focus on libraries, but also omitted reference to the importance of finding and using information as skills essential to lifelong learning. We have begun with a concept paper on the development of these skills. Our program for FY 1986 is to promote the importance of information-finding and using skills to support lifelong learning. Working with school librarians, media center directors, and school administrators, we plan to identify what has been done and to establish a nationwide recognition program for outstanding skills development projects. With more than 50% of the Gross National Product now accounted for by information-related industries, this is an essential program.

Improving Services to Meet Changing Needs:

1. The elderly - As I mentioned in my testimony, in FY 1985, we signed a Memorandum of Understanding with the Administration on Aging to work together to improve library and information services to the elderly. This segment of our population, which is growing constantly, and will continue to grow indefinitely, has special needs which have not always been recognized. Our program is a partnership of agencies working with the elderly and librarians (particularly the state librarians) devising new and more effective ways to

serve this important segment of our population. Part of the uniqueness of this program lies in the fact that in the United States, there are only two agencies that exist in every county -- an agency dealing with the elderly and a public library.

2. Information for governance - Local libraries have great potential for serving as information resources for local governments, business, community groups, and individual citizens. This is a new, major program planned for FY 1986 and it is a two-pronged effort: a) to determine the availability of information for governance at the local level and the role of the library in providing that information, and b) to determine ways to provide a more cost effective flow of information from the Federal government for local use in decision-making. Public benefits of this plan include greater cost effectiveness and savings to Federal agencies in the dissemination of information, and the enhancement of use of information for local governance by citizens and officials.

Policy, Planning, and Advice:

1. Information policy issues - In this program, we plan to continue to assist federal agencies, particularly OMB and the Congress, in developing information policies. In FY 1986, we plan to intensify efforts to improve the dissemination of government information, especially through the depository library system.

There is a growing concern both inside and outside the federal government about emerging information policy that would govern access to and dissemination of government information. OMB has recently issued a draft circular on the management of federal information resources. The library community is concerned about the increasing restrictions on publishing of government information and that what is published does not always get into the depository library system. Private sector publishers are concerned about the government competing with them in areas in which they have already established a market. The Commission clearly has a very important role to play in helping shape information policy that serves internal government needs as well as makes public information readily available.

2. Censorship - As I mentioned in my response to the preceding question, in FY 1985, we began a study to determine the extent of censorship in public and school libraries over the past ten years. This study, done at your request, is scheduled for completion in FY 1986 with the final report to be submitted to you by January 31st.

QUESTION: Who will assume these responsibilities if the Commission is eliminated?

ANSWER: There is no agency, in or out of the Federal Government, to assume these responsibilities.

Library and Information Needs of the Aging

QUESTION: I understand that one Member of the National Commission must be knowledgeable with respect to the library needs of the elderly. Can you tell us about the library and information needs of this growing segment of our population and what you are currently doing to meet those needs?

ANSWER: A National Survey conducted by Booze, Allen and Hamilton in 1971 for the Cleveland Public Library and funded by the U. S. Office of Education, reported that less than 4 per cent of the Nation's aged were receiving public library service and more than half of the libraries offering services for the aging were located in urban areas. Unfortunately, this benchmark study has never been updated. The Chief Officers of State Library Agencies (COSLA) provided NCLIS with the results of a survey they conducted in February 1984, concerning library services to the aging and based on this, the answer is that now, 14 years later, still not enough is being done.

Prior to the 80's, emphasis had been placed on service to the homebound or institutionalized. However, it is now acknowledged that the older adults of the 80's are healthier, better educated, more leisured and independent, and therefore not confined to their homes or an institution. This group deserves services and programs to meet their special needs.

Studies have shown that the elderly most often require library information and referral services on income, transportation, health problems, care, housing, nutrition, homemaker services, employment, consumer needs, legal problems, companionship, and nursing home care.

NCLIS is aware of some libraries that are delivering excellent services to the older adult, but we feel all libraries should be involved. Additionally, we feel there should be more cooperation and collaboration between public libraries and other service providers to the older adult, leading to extended and more effective service as well as better utilization of resources at the local level.

As I mentioned earlier, NCLIS has recently negotiated a Memorandum of Understanding with the Administration of Aging, Office of Human Development, Department of Health and Human Services to work cooperatively at the federal level and through our respective networks to promote the improvement and better use of library and information services to the older adult.

We are exploring the development of a similar agreement with ACTION dealing with the use of older adults as volunteers in public libraries. NCLIS is discussing with AARP the publication of an article in its magazine "Modern Maturity" which will bring to the attention of its members the opportunities that await them when they use the services of their public library. An article has been prepared for the "Journal of the American Society for Information Science" telling of NCLIS' interest in and actions to improve library and information services to the older adult.

At this time, there is a great need to increase awareness among libraries and librarians, service providers to the elderly, and the elderly themselves, of the benefits to the elderly and society from use of services and programs offered by the public library.

QUESTION: Who will assume this responsibility if the Commission is eliminated in FY 1986?

ANSWER: Another body does not exist which will bring the various players together, provide the catalyst and the follow-through to see that library/information services to the elderly are improved and encourage the use of these services by the elderly.

NCLIS is respected throughout the library/ information community for its forward thinking and early moves to call attention and promote action to address what we perceive to be problem areas in meeting the library/information needs of the people of the United States. A lack of funding in FY 1986 would remove a critical presence at the Federal level when we have just begun to build coalitions that will assist us in seeing that the elderly receive adequate library/information services to meet their special needs. Without us the chances of progress among various players are slim to none.

1989 Conference

QUESTION: I understand that you are planning for a National Conference on Library and Information Services that will be held in 1989. Why is the conference necessary?

ANSWER: The environment of our profession is everchanging. We must keep up with changing technologies and institutional responsibilities as well as meeting greater and more sophisticated user needs. A specific recommendation from the 1979 White House Conference was "that a White House or a Federal Conference on Library and Information Services be held every decade to establish the national information goals and priorities for the next decade, to assure effective transfer of knowledge to citizenry, and to accomplish this goal in light of accelerated changes in information technology and practices." The Commission endorsed this resolution and further resolved to begin the planning process for a 1989 White House Conference.

QUESTION: What do you expect to accomplish in this Conference?

ANSWER: We are not entirely certain yet but we do know that there is a compelling need for a continuing library/information needs assessment process. The White House Conference process at its best is the continuous recommending of public policy and programs through a systematic assessment of public needs.

The purpose as outlined in the House and Senate Joint Resolutions is "to develop recommendations for the further improvement of the library and information services of the Nation and their use by the public..."

The Commission designated a White House Conference Preliminary Design Group to initiate planning for the 1989 Conference. This temporary group is made up of sixteen Federal, State and Local representatives and will make its final report to the Commission in December, 1985. The report will include: 1) making recommendations on the kinds of appointments which should be made by the President, House, Senate and NCLIS to the 30 Member Advisory Committee, taking into consideration minority representation and geographic distribution; 2) preparing a preliminary design which will recommend the scope and focus of the Conference; 3) framing the different alternatives for financing the Conference; and 4) initiating planning for the schedule of events leading to the Conference. The Preliminary Conference Design Group will work and consult with current and former NCLIS Members, former Members of the White House Conference Advisory Committee and Staff; representatives of the major national library and information services associations; leadership of the the U. S. Senate, U. S. House of Representatives and the Executive Office of the President.

Technology Transfer for Adult Literacy

QUESTION: I understand the Commission is co-sponsoring an adult literacy project with the Army Human Engineering Laboratory. Can you tell us about this project and what it expects to accomplish?

ANSWER: NCLIS initiated the literacy project with the Army Human Engineering Laboratory to take advantage of the opportunity to transfer technology developed by the military to the civilian sector. This will enable us to test whether a new technique in literacy training could improve literacy education programs in libraries.

The project uses a computer assisted instruction (CAI) program developed at the Navy Personnel Research and Development Center. With this new literacy training methodology the student achieves a faster learning rate and maintains a longer retention rate of the subject matter than with more traditional classroom based programs. The program also permits more students to participate without increasing library staffs' or volunteers' time or resources.

Volunteer tutors developed units of instruction targeted to the needs of the students, and these units were then transcribed into machine-readable language at the Carnegie-Mellon University Communication Design Center.

Currently, there are two demonstration sites operating, one at the Pimlico Branch of the Enoch Pratt Free Library in Baltimore, Maryland, and the other at the Mary H. Weir Library in Weirton, West Virginia.

The Pratt Library chose Consumer Awareness as its subject area and subsequently added Driver Education at student request. The Weir Library has chosen Money Management.

The two libraries are exchanging programs thereby offering more choices to their students. Early reports show these adult students have high levels of motivation and growing competence in the area of computer literacy.

The interest and potential success of this technology transfer has led to a proposal from a group in Pittsburgh composed of the Carnegie Library of Pittsburgh, the Carnegie-Mellon University, the University of Pittsburgh, and the Greater Pittsburgh Literacy Council to establish a Computer-Based Adult Literacy Instruction Program based on the Baltimore and Weirton models but with additional enhancements. We are excited about this probable extension because it takes our demonstration project several steps further and is a cooperative venture that will also aid in economic development as the students will upgrade their reading skills to levels that will enable them to compete more favorably in the job market.

QUESTION: Is the Army capable of assuming responsibility for this project if the Commission is eliminated in 1986?

ANSWER: While the Army may be capable, the goal of the project is not within the purview of the Army. The stated goal is "to transfer technology that would use volunteers and others in cooperation with libraries and information service facilities to increase literacy among adults and teens whose basic reading skills are between zero and fifth grade." Our thrust is to provide another mechanism for use in a community-based program to teach literacy for needed survival skills and the Army's thrust is technically oriented.

As an aside, I think you will be interested in knowing that the Scientific Advisor to the U. S. Army-Europe has requested one of the reading disks prepared by the Mary H. Weir Library. This can be considered a reverse technology transfer having benefit to the military.

Rural Library Program

QUESTION: During your 1985 appropriation hearings, in response to my request for more detailed information about the Commission's rural program, you testified that the Commission is studying the feasibility of a National Advisory Board on Rural Information Needs (NABRIN). What is the status of the study?

ANSWER: The National Advisory Board on Rural Information Services (NABRIN) planning committee was established by the Commission in January 1984 to determine if a high level board that would be concerned solely with the information needs of rural areas was needed and feasible. The planning committee has just concluded its work. The conclusions are: that such a board is needed, that it is feasible, and that it should be established in the U. S. Department of Agriculture. The Commission has accepted and endorsed the report and is forwarding it to the Secretary of Agriculture with a recommendation that he establish the board at the earliest opportunity.

Assistance to Congress

QUESTION: What are some of the things you have done to assist the Congress, Legislative and Executive Branches this past year?

ANSWER: Legislation - Throughout the year, NCLIS provided technical assistance to Congress on the reauthorization of three major pieces of legislation: the 25-year old Library Services and Construction Act (LSCA), the Higher Education Act (HEA), and the Older Americans Act (OAA). Amendments to LSCA and OAA were passed by the Congress and signed into law by the President during 1984.

Over the past few years, the Commission has provided technical assistance to the Congress on the reauthorization of LSCA by gathering information from members of the library/information community regarding their needs and ideas for the new legislation. NCLIS assisted the House Subcommittee on Postsecondary Education with a series of hearings held across the country, during which more than 200 witnesses testified on the needs of libraries for federal assistance and encouragement through LSCA. The Commission also assisted in the hearings held by the Senate Subcommittee on Education, Arts, and Humanities. The new law includes a number of specifications recommended by the Commission.

Regarding the Higher Education Act (HEA), our primary goal was to help identify the concerns of the library/information community in order to maximize the benefits of the legislation. An initial concern of that community was the funding formula for Title II A, College Library Resources. This program did not receive an appropriation during FY 1984 primarily because of Congressional concern that funds would have been distributed to practically every institution of higher education instead of on a basis of need. NCLIS staff met several times with subcommittee staff and representatives of the library/information community to develop a funding formula and to discuss other library and information related sections of HEA.

A third piece of legislation of particular interest to NCLIS was the reauthorization of the Older Americans Act (OAA). At the request of the Senate, the Commission provided information about its aging program as well as the results of the Chief Officers of State Library Agencies' survey on current library services to the elderly. The NCLIS Vice Chairman, Bessie B. Moore, presented testimony to the Special Committee on Aging about the need to clarify that public libraries could be recipients of OAA grants. As the Senate debated the amendments to the Act, a colloquy among Senators Charles Grassley, John Melcher, and David Pryor, made it clear to all administrators that OAA grants can be made to local community libraries which serve as valuable resource centers for older Americans.

NCLIS also advised Senator Charles Mathias on a bill proposing a National Commission on the Public Lending of Books. This Commission would study the desirability and feasibility of compensating authors for the loan of their books by lending institutions.

NCLIS responded to the requests from Senator Claiborne Pell and Congressman William Ford to assist in drafting legislation for a 1989 White House Conference on Library and Information Services. The Commission collected recommendations from the library and information community for changes in the enabling act of the 1979 White House Conference. These were incorporated into the House and Senate Joint Resolutions calling for the 1989 Conference.

In addition, we provided advice to Congressman George Brown on his Institute for Information Policy and Research bill and worked on other programs on the protection of intellectual property.

NCLIS aided the Congress in reaching agreement on legislation authorizing the commercialization of land remote-sensing satellites.

Assistance to Legislative Branch

Legislative Branch:

*Congressional Copyright and Technology Symposium - At the request of Senator Charles Mathias and Congressman Robert Kastenmeier, the NCLIS Executive Director participated in a Congressional symposium on copyright and technology that was convened in February 1984. The purpose of the seminar was to provide an update on technology and to discuss its current and potential impacts on the protection of intellectual property rights. The principal attendees were Members of Congress, Congressional staff, jurists, futurists and other experts. Our Executive Director moderated a session on "Publishing, Libraries, and Education."

*Joint Committee on Printing - During 1984 the Commission worked with the Joint Committee on Printing (JCP) regarding the Ad Hoc Committee on Depository Library Access to Federal Automated Data Bases and the proposed revisions to the regulations of Title 44 of the U. S. Code. The NCLIS Executive Director addressed the Ad Hoc Committee on the impact of technology on the delivery of federal information. The Commission will continue to provide assistance to the JCP on this project as needed.

Another matter of interest to the Commission was the Joint Committee's intent to modify the regulations to Title 44, U. S. Code, which describes the printing and publishing functions of the Executive Branch. NCLIS advised the JCP to expand its review of federal publishing and printing responsibilities to include a larger perspective, that of federal information resources management. Because of the controversy raised by the proposal to modify the regulations, the JCP may consider revising Title 44 instead. NCLIS will provide assistance with such revisions as needed.

*Office of Technology Assessment - One of the immediate results of the Congressional copyright symposium was the initiation of an Office of Technology Assessment (OTA) study on "Intellectual Property Rights in an Age of Electronics and Information." A panel of experts, including NCLIS Commissioner and Chairman Emeritus Charles Benton, was convened to review the issues and prepare an assessment. The study, which was begun in April 1984, will be completed in the fall of 1985.

During 1984, OTA began a second two-year study, on the topic of "Federal Government Information Technology: Administrative Process and Civil Liberties." NCLIS has been invited to participate in this study as an advisor. The issue of greatest interest to NCLIS is "Information Access and Dissemination: Public/Private Sector Roles." The lack of laws, regulations, and executive orders governing the dissemination of federal information underscores the potentially great need in this area for guidance. OTA has assembled a panel of experts to help define the issues that will be the focal point of the study. NCLIS will continue to provide technical assistance to OTA on both of these studies.

At the request of Congress, the Commission revised the networking section of our 1975 report, "Toward A National Program for Library and Information Services: Goals for Action."

Assistance to Executive and Legislative Branches

Executive and Legislative Branches:

At the request of the Office of Management and Budget and Congressional Committees, staff of the National Commission on Libraries and Information Science (NCLIS) convened meetings of OMB staff, Congressional committee staff, the president of King Research, Inc., and representatives of companies in the Washington, D. C. area that are providing library and information services under contract to the federal agencies. The purposes of the meetings were to identify those library functions appropriate for contracting out and those inappropriate, and to discuss benefits and problems resulting from the contracting out of library functions.

Assistance to Executive Branch

Executive Branch:

*Department of Agriculture - In an earlier answer, I explained in more detail about the Commission's assistance to Secretary Block in a major initiative to develop and conduct educational and information programs for the rural public. The Commission's role is to ensure the participation of public libraries in this effort.

*Department of Commerce - NCLIS advised Commerce on archiving satellite data. NCLIS aided the Administration in reaching agreement on legislation authorizing the commercialization of land remote-sensing satellites.

*Department of Defense - NCLIS initiated an adult literacy project, which I discussed earlier, with the Army Human Engineering Laboratory, for transferring technology developed by the military to the civilian sector as mandated by the Stevenson-Wydler Act. We are testing whether a new technique in literacy training could improve literacy programs in public libraries. The Department of Education and the private sector are now participating in this project.

*Department of Health and Human Services - As I mentioned earlier, NCLIS has signed a major agreement with the Administration on Aging to improve library and information services to the nation's elderly. We are also working to implement some of the recommendations from the White House Conference on Aging.

*Department of State - NCLIS is the key advisor to the Department of State on alternative mechanisms to UNESCO information-related programs, which are crucial to the U. S. State is relying on NCLIS to implement these alternatives.

*White House Conference on Productivity - We have implemented some of the recommendations from the White House Conference on Productivity. We worked closely with this White House Conference, at their request, advising on process and substance.

*We have begun a review of recommendations and policy issues in the Domestic Council's Committee on the Right to Privacy Report to the President, 1976, "National Information Policy."

We believe that one of our major accomplishments has been the bringing together of the public and private sector information-providers with the information-using communities to assure that quality information is delivered efficiently to the public at the lowest possible cost. This effort is carried out at all levels of government (Federal, state and local) and among library/information professional and trade associations.

The Commission is unique and none of our work is duplicated by any other agency. Our mandate is to advise on policy in the library/information field, not to fund institutions or programs. A large portion of our efforts is spent in providing necessary support to the Congress and the Executive Branch. None of the projects summarized above would have been initiated or carried out by any other agency in the government.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

Staffing

QUESTION: I am aware of the importance of your services to the elderly, minority groups, as well as residents of rural states. Last year, you indicated you were experiencing inadequate staffing difficulties. You noted that this was partially attributable to your budget. Has the situation improved?

ANSWER: Our staffing situation has improved slightly, because we have been able to hire some temporary staff. However, although our appropriation has increased for this fiscal year (specifically to conduct the censorship study requested by this Committee) so have our expenses. For example, our FY 1984 rent was approximately $36,000, in FY 1985 it is $59,000.

QUESTION: Based on the current proposal, do you feel you will be forced to make any staffing reductions or cutback on the level of services?

ANSWER: The current proposal from the Administration is that no funds be appropriated to the Commission in FY 1986. Under this proposal all staff would have to be furloughed and the Commission would offer no services.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

QUESTION: Miss Hashim, the fiscal 1983 budget request proposed no funds for the Commission which, of course, Congress rejected. Two years later, the Administration recommended an increase in your budget, now it wants to terminate the Commission's activities once again. What's the reason for the turnaround?

ANSWER: I am not certain. I believe the Administration was looking for ways to reduce the federal budget and the number of federal agencies. In looking at the bottom line and the total number of agencies which were recommended for elimination, our tiny agency still counts as one. Small though our proposed budget was, if it were eliminated there would be some cost savings, although our $750,000 request is lower than the government round-off figure.

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NATIONAL COUNCIL ON THE HANDICAPPED

STATEMENT OF SANDRA PARRINO, CHAIRPERSON

ACCOMPANIED BY:
LEX FRIEDEN, EXECUTIVE DIRECTOR
JUSTIN DART, JR., VICE CHAIRPERSON

PREPARED STATEMENT

Senator WEICKER. Our last related agency this morning is the National Council on the Handicapped. This is their first appearance before the subcommittee. Here to testify on their behalf is Sandra Parrino, chairperson of the Council.

The Council is newly established as an independent agency to advise Congress and the President directly on the path of future policy options for persons with disabilities.

We welcome all those who are here to testify. Ms. Parrino, why don't you go ahead and introduce your colleagues, and we will insert your entire statement in the record at this point.

[The statement follows:]

Statement of Sandra Parrino

Mr. Chairman, I greatly appreciate the opportunity to appear before you and the Subcommittee on behalf of the National Council on the Handicapped to present our justification for a Fiscal Year 1986 budget request in the amount of $685,000.

This reouest is $65,000 less than our Fiscal Year 1985 budget, and reflects the Council's desire to assist the President and the Congress to minimize and reduce our National Debt. In order to reach our mandated objectives in Fiscal Year 1986, we plan to effect certain administrative economies and to speed up work previously scheduled for completion during 1986.

This is the first year that the Council has operated as an independent Federal agency, due to changes mandated by the Rehabilitation Act Amendments of 1984. For the first time in our history, the Council has been authorized an adequate staff and autonomous status, which will enable us to accomplish our mission.

Briefly stated, the Council is charged with reviewing all laws, programs and policies of the Federal Government which affect disabled individuals, and with making such recommendations as it deems necessary to the President, the Congress, the Rehabilitation Services Administration, and the National Institute of Handicapped Research.

Although many government agencies relate to the needs and concerns of people with disabilities, the National Council on the Handicapped is the only Federal agency with the mandated responsibility to address, analyze, and make recommendations on all issues of public policy which affect people with disabilities---regardless of age, disability type, employment potential, economic need, specific functional ability, status as a veteran, or other individual circumstances.

The Council recognizes its unique responsibility to assess both the strengths and weaknesses of the service delivery system, the incentives and disincentives of current legislation and public policy, and the opportunities for and barriers to greater coordination by the Federal government of the 78 separate programs it administers to serve disabled Americans.

With your permission, I would like to take a few minutes to describe some of the accomplishments of the Council during the first half of Fiscal 1985, and to indicate to you our plans for the remainder of this year, and for Fiscal year 1986.

During the current Fiscal Year, the Council successfully completed its assignment from Congress to review and approve the Evaluation Standards developed by the Rehabilitation Services Administration for Projects With Industry and for Independent Living Centers. I feel sure that the diligent participation by our Council members and staff in the development of these standards contributed greatly to the quality and usefulness of the final products, which Congress will use in determining the future direction of both programs.

Much of the Council's activity this year has been related to our well-received National Policy for Persons With Disabilities, which was disseminated in 1983. In support of that policy, whose main thrust was to foster independent living for disabled citizens, the Council presented two resolutions to Congress: one favoring the Attorney's Fees Amendment to P.L. 94-142, allowing recovery of attorney's fees and other compensatory damages for those who challenge the service delivery system; and the other supporting the Jobs Credit Tax Act, which encourages private sector employers to hire handicapped workers. Both of these Bills are on the legislative agenda of the 99th Congress.

On the key issue of employment, the Council commissioned a comprehensive study on Disincentives Related to Employment of Persons With Disabilities. This study will be used as a basis for future recommendations by the Council.

Still another major Council activity has been our continuing dialogue with consumers. Handicapped people and their advocates have regularly been invited to Consumer Forums sponsored by the Council in various cities around the nation to present their views and recommendations regarding the service delivery system and other issues of concern to handicapped people. One important result of these Forums was the Council's decision to sponsor a National Conference on Attendant Care in July here in Washington, D.C. The Conference will explore all aspects of publicly-funded attendant care which consumers have identified as a necessary service to enable severely handicapped people to function in the community environment.

A primary focus of the Council's attention this Fiscal Year and next will be the development of a definitive report which Congress has requested by February 1986, on the Council's mission, along with our recommendations for policy, legislative, and programmatic initiatives intended to result in a better quality of life not only for America's handicapped citizens, but for the entire nation as well.

Among the major issues which the Council intends to study in the next Fiscal Year are: income support and health insurance programs provided under the Social Security Act; NIH-supported research activities; the Education of the Handicapped Act; the Javits-Wagner-O'Day Act; and the Vocational Rehabilitation Act.

Mr. Chairman, members and staff of the Subcommittee, thank you for the opportunity to present this statement, which is an historic first for our newly-independent Council. When Mr. Jeremiah Milbank, Jr., of Connecticut, is confirmed by the Senate for appointment to the Council, our Council will have its full complement of 15 members. All of the Council members take seriously their responsibility to be working members and to contribute their time, energy, expertise and resources to the Council's work.

By the summer, we will have all of our authorized personnel on board. At the present time, we are functioning with five of our permanent full time personnel in place, and we are being assisted by several very capable professional staff members who are on detail from other agencies. We also have two NCH Fellows who are mid-career professionals on one-year appointments to the Council staff. Our permanent director, Lex Frieden, was selected last November. Mr. Frieden is a highly qualified professional with outstanding leadership ability and a reputation as a leader in the independent living movement by people with disabilities.

We believe that we are capable of meeting the important mandate which the Congress has given us. We look forward to a productive and cooperative working relationship with this Committee and other Committees of the Congress this year and in the years ahead.

Mr. Chairman, I will be pleased to respond to any questions you may have.

BIOGRAPHY OF SANDRA PARRINO

Sandra S. Parrino, of Briarcliff Manor, New York, was appointed Chairperson of the National Council on the Handicapped in 1983 by President Reagan. She has been actively involved in issues concerning disabled people for many years. She herself has a son, who is physically handicapped. She is best known as a spokesperson for parents of disabled children, as a panelist, lecturer, lobbyist, and organizational official.

Mrs. Parrino serves on numerous boards and councils. She has been director for the Office of the Disabled in Ossining and Briarcliff Manor, New York; she has served on the board of Westchester County Homes for the Retarded; and she has been a member of the New York State Assembly Task Force on the Disabled, which reviews pending legislation in the State of New York. Through her efforts, many local advances have been made to improve accessibility for disabled people, such as setting up transportation services and installing voting machines for the disabled, fundraising to provide interpreter services for the deaf, and supervision of the school district's compliance with Federal regulations.

Mrs. Parrino is currently the North American Vice President of Rehabilitation International, worldwide service, information, and advisory organization. She is also a member of the Board of Rehabilitation International USA, and served as an American representative to the United Nations and UNICEF for the International Year of Disabled Persons.

BIOGRAPHY OF LEX FRIEDEN

Lex Frieden, Executive Director of the National Council on the Handicapped, was appointed to his post in December, 1984. He was formerly Assistant Professor of Rehabilitation at Baylor College of Medicine, Houston, and former Director of the Independent Living Research Utilization project at the Institute for Rehabilitation and Research in Houston. The project is a major national resource center for disseminating information on how handicapped people can live independently.

Mr. Frieden is a 1972 graduate of Tulsa University, which honored him as a Distinguished Alumnus in 1979, and earned a Master's Degree in Social Psychology from the University of Houston. He has done additional graduate work in rehabilitation psychology at the University of Houston, and was awarded a World Rehabilitation Fund Fellowship in 1980 to study programs for disabled people in Europe.

A quadriplegic due to spinal cord injury, Mr. Frieden has been involved in organizing several groups of disabled individuals, including the American Coalition of Citizens with Disabilities, the Coalition of Texans With Disabilities, and the Houston Coalition for Barrier Free Living. Active in the independent living movement for severely handicapped people since the early 1970's, Mr. Frieden has spoken frequently on the subject, consulted with a variety of organizations, and published several books and papers on independent living. He was honored by the U.S. Jaycees in 1983 as one of America's Ten Outstanding Young Men.

INTRODUCTION OF ASSOCIATES

Senator WEICKER. I take a certain pride in your Council in the sense that its first Executive Director, of course, was John Doyle. I can assure you that if he served you as well as he has served me both in terms of the Subcommittee on the Handicapped, and on the Labor-Health and Human Services appropriations, we have all been the better for his advice.

Ms. PARRINO. We of the Council share your high opinion of John Doyle, Mr. Chairman. His knowledge, energy, and dedication to the Council and to all disabled Americans made it possible for us to meet with you this morning with full confidence that our Council and staff are on a firm course and sound footing. Our successful transition to independent agency status is due in great measure to John Doyle and we remain indebted to him and to you for making his services available to us.

Mr. Chairman, I am here this morning with Justin Dart, Jr., who is the Vice Chairperson of the National Council on the Handicapped.

Senator WEICKER. Justin, nice to have you here.

Ms. PARRINO. Also Lex Frieden, who is our newly appointed Executive Director.

Senator WEICKER. Good to have you here.

Ms. PARRINO. Mr. Chairman, I appreciate the opportunity to appear before you and the subcommittee on behalf of the National Council on the Handicapped to present our budget justification for fiscal year 1986. This is an historic occasion for us, as it is the first time that we have appeared before a committee of the U.S. Senate as an independent Federal agency.

We appreciate your support and the support of other members of this committee, and other committees in the Congress which have an interest in improving the quality of life for 36 million disabled citizens in our country.

The Council is pleased to submit a fiscal year 1986 budget request in the amount of $685,000. This request is $65,000 less than our fiscal year 1985 budget and reflects the Council's desire to assist the President and Congress to minimize and reduce the national debt.

In order to reach our mandated objectives in fiscal year 1986, we plan to effect certain administrative economies and to speed up work previously scheduled for completion during 1986.

As you noted, the Council is charged with reviewing all laws, programs, and policies of the Federal Government which affect disabled individuals, and with making recommendations as it deems necessary to the President and the Congress, the Rehabilitation Services Administration, and the National Institute of Handicapped Research.

During the current fiscal year, we have completed our assignment from Congress to review and approve the evaluation standards developed by the Rehabilitation Services Administration for projects with industry and independent living centers.

The Council activity has been related to the national policy for persons with disabilities which was disseminated in 1983.

The Council has presented two resolutions to Congress, one favoring the attorneys' fees amendment to Public Law 94–142, and the other supporting the Targeted Job Tax Credit Act.

On the key issue of employment, the Council has commissioned a comprehensive study on disincentives related to employment of persons with disabilities.

Right at this moment, our primary focus is the report which Congress requested for February 1986, which will include our recommendations for policy, legislative, and programmatic initiatives.

Mr. Chairman, I would like to assure you that all of the Council members take seriously their responsibility to be working members and contribute their time, energy, resources, and expertise to the Council's work.

Our permanent Director, Lex Frieden, was selected last November by unanimous vote of Council members. He is a qualified professional who is an outstanding leader in the independent living movement, and has exceptional leadership qualities.

We believe we are capable of carrying out the mandate which Congress has given us, and we look forward to a productive and cooperative working relationship with this committee and other committees in Congress in the years ahead.

I would appreciate it if you would incorporate the full text of my comments in the record.

Senator Weicker. Your statement in its entirety has been included in the record.

Ms. Parrino. At this time, Mr. Frieden, Mr. Dart, and I will be happy to answer any questions.

Senator Weicker. It is my understanding that the Council voted to recommend a budget of $810,000 for fiscal year 1986. Is that correct?

Ms. Parrino. Yes.

Senator Weicker. The budget before us today is $685,000.

Ms. Parrino. Yes.

Senator Weicker. Was that a reduction initiated by OMB, then?

Ms. Parrino. Yes.

Senator Weicker. So it was budgetary in its consideration and not in consideration of the work of the Council, which I gather has been reviewed by your Council who submitted its own budget.

What are we talking about as far as the difference between the $810,000 and the $685,000? What falls by the wayside if we go along with the administration's request?

Mr. Frieden. What falls by the wayside in terms of specifics?

Senator Weicker. Obviously, you can't be specific, but you must have some idea of what falls by the wayside as between the $810,000 figure and the $685,000.

Mr. Frieden. Congress has given the National Council on the Handicapped a mandate to review all laws, policies, and programs that relate to people with disabilities, and to provide policy advice and recommendations to the President, to the Congress, and to the respective agencies involved. It will be, obviously, less advice that the Council is able to provide on a lower budget. Hopefully, the quality of that advice will remain high regardless of what the budget is.

Senator WEICKER. In February of next year, the Congress will review the Council's first 2 years of operation as an independent agency and decide on its future. Congress will be especially concerned with the quality of the report on ways to improve Federal policy on the disabled which is due at the same time.

Is the quality of that report going to suffer because of that reduction?

Mr. FRIEDEN. I would say that the report itself will be completed largely with funds appropriated for the present fiscal year. The real price we will pay for a lower budget in fiscal year 1986 will be related to any followup that the Congress expects of us on issues raised in that February 1986, report.

Senator WEICKER. I can't believe that with this board that has been appointed by the President that, at least in the fiscal sense, you are not all fiscal conservatives. That is what concerns me a little bit when the Council itself reported out this budget. I can't believe that anybody is just shoveling out money. I would rather believe that it was closely constructed. I am deeply concerned about the disparity here.

I think that if there are budget shortfalls, they can certainly be made up in other areas, aside from yours, and that is my reason for concentration on this particular area.

Justin, is there anything that you would like to add to this aspect of the problem?

Mr. DART. Not in regard to the budget.

Senator WEICKER. Is there anything that you would like to speak out on at this time?

Mr. DART. I would like to repeat what I told you in writing, how much I personally appreciate the contribution that John Doyle has made to our Council, the historic contributions, and also how much I personally appreciate, Senator, the contributions that you have made to the quality of life of disabled Americans over the years.

I think that it is conceivable that you represent more Americans than any other Senator in the Senate.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Thank you very much, I appreciate that.

I have no further questions at this time. There are others that I will submit for response to the record. I think it is fairly certain that you can probably plan on getting the full amount that the Council initially voted. Obviously, there is nothing certain until it is signed into law, but I think that certainly will be the direction of this committee, and I suspect also the direction of the House.

Mr. FRIEDEN. Mr. Chairman, if I may elaborate just very briefly on the question which you asked regarding the differences between the budget which the Council originally developed and that one which we have presented in our budget justification.

We do have a program for sponsoring two fellows. If we live with the budget which we have requested here, we will find it necessary to raise private funds to support a portion of that program. The Congress has also given us authorization to use funds for representation and reception; those funds would be raised from private sources.

In addition to that, we have accounted for the pay cut which the administration has requested in our proposal. Also, we would have fewer meetings of our advisory committee than we had originally planned.

Senator WEICKER. I thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

ADVICE

Senator Weicker. Your present statutory duties are to provide advice to the Congress and the President on disability policy. Congress has received and is acting on your advice in at least one major piece of legislation allowing courts to award expenses to parents of disabled youngsters who prevail in court action. What advice has the Council given the President and has he acted on it?

Answer. The Council has not directed any advice to the Office of the President thus far in FY 1985. However, the White House acted within hours of a Council appeal to assist in resolving an issue involving Medicaid reimbursement for payments for respiratory care in certain cases involving severely disabled individuals. The Council views its forthcoming 1986 report to the President and Congress as the predominant opportunity to provide both the Executive Branch and the Congress with a well organized and documented set of workable recommendations.

Question. What advice has the Council given Executive Branch agencies on funding, program changes or other matters and how has this been accepted?

Answer. The Council has recently provided the Rehabilitation Services Administration with advice regarding proposed evaluation standards for Independent Living and Projects With Industry Programs. The Council's advice was welcomed by the Rehabilitation Services Administration and resulted in significant changes in the evaluation standards, particularly those related to Independent Living. In the past, the Council has provided other advice to agencies in the Department of Education, and that advice has been well received and acted upon. The Council is presently in the process of evaluating certain programs which fall under the Office of Special Education and Rehabilitative Services in the Department of Education, and it is expected that appropriate advice and recommendations will result from these evaluative efforts.

GROVE CITY

Question. Did the President or his Justice Department ask the Council's advice before the Administration decided to exclude the handicapped from protection of the Civil Rights Act of 1985 (Grove City) and has the Council voted to support or approve the President's position on the Civil Rights Act?

Answer. Neither the President nor the Justice Department asked the Council's advice prior to taking action on the Grove City situation. It is possible that the Council was outside the Administration's legislative review loop at that time. However, the Council is included in the legislative review process now, and it is expected that the Council will have the opportunity to advise the Administration on such matters when they occur in the future. With regard to the Civil Rights Act, the Council has taken no action either in support of or opposition to the Administration's position on this matter.

NIHR DIRECTOR

Question. I understand that the position of Director for the National Institute for Handicapped Research (NIHR) is vacant. How will that impact upon the National Council?

Answer. The position of Director of the National Institute for Handicapped Research has been vacant since December, 1984. The Council believes that a position of this importance to our national interest in rehabilitation research should be filled as soon as possible by the most qualified individual available for the job. The National Institute for Handicapped Research is this nation's lead agency when it comes to applied research on rehabilitation issues and concerns. The Council is concerned that this important agency will lose momentum and direction in the absence of a designated leader as many agencies seem to do under similar circumstances.

Question. Do you have any input into the selection of the new Director?

Answer. The Director of the National Institute for Handicapped Research is appointed by the President of the United States and confirmed by the Senate. The Council has been invited to suggest candidates for this position. However, the Council has taken no action to be involved in the selection process of the new Director as it desires to maintain a certain degree of independence from the Administration on matters of this nature.

Question. Has the Council taken any action regarding this vacant position?

Answer. Yes, sir. The Council has expressed its concern to Administration officials that this position be filled as soon as possible. The Council continues to encourage action on this matter at the earliest possible moment.

ICF/MR REPORT

Question. I understand that the Council, in cooperation with the Health Care Financing Administration and the Administration on Developmental Disabilities, is working on a report on intermediate care facilities, mentally retarded (ICF/MRs). When will that report be ready?

Answer. The report to which you refer was supposed to be ready for the Congress by April 19, 1985. The Council expressed concern in January that it had not been involved in the process of developing this report, and the Council reminded the Secretary of Health and Human Services in correspondence dated March 6, 1985 of the urgency of this matter. On April 17, the Council received a letter from the Assistant Secretary for Planning and Evaluation of the Department of Health and Human Services indicating that a draft version of the report would be provided sometime this week to the Council for its review and comment. At this point, it is difficult to predict when this report might be ready for publication and distribution.

Question. Why has it been delayed?

Answer. Any answer by the Council to that question would be pure conjecture. The Council has not been apprised of any reasons why the report has been slow in developing. As you know, the Secretary of Health and Human Services was designated by law to chair the task force to produce this report. The Council has indicated to the Secretary its desire to be involved in the process of developing the report, and the Council has yet to receive anything but a notification that a draft version of the report is on the way to the Council for its review and comment.

Question. As of this date how many meetings has the Council Chairman or her designee had with the Secretary of the Department of HHS?

Answer. The Council Chairperson has not met with the Secretary of Health and Human Services. It is our understanding that preliminary work on this ICF/MR report is being done by staff members within the Office of Social Services Policy in the Department. It is our understanding that no face-to-face meeting of the responsible officials involved in the presentation of this report may occur if each of these officials agrees with the substance and content of the draft report which is being prepared for circulation.

FY 1986 SPECIAL STUDIES

Question. You are requesting $285,000 in FY 1986 for administrative support and for the conduct of special studies. How much of this amount will be for special studies and how does it compare to FY 1985 funding levels?

Answer. Of the $285,000 requested for administrative support and for the conduct of special studies in FY 1986, $30,000 would be available specifically for special studies. This compares to $125,000 which is available for such studies in FY 1985.

Question. What is the nature of these studies?

Answer. In FY 1985, the principal nature of these studies relates to the Council's mandated February 1986 special report to the President and Congress. It is anticipated that certain follow-up work will be required on this February 1986 report during FY 1986, and appropriate studies will be conducted.

Question. How are the topics for studies chosen, and who will conduct them?

Answer. In the case of the Council's special February 1986 report to the President and Congress, the Congress has been fairly specific in detailing the focus of this report and, consequently, the studies which are required to produce the report. The Council members themselves actually determine the specific focus of each study and may be expected to continue doing so in the future. Depending on the particular topic of study, any number of individuals may be included in the conduct of such studies, including members of the Council, Council staff persons, voluntary Council advisors, and Council contractors or consultants. Again in the case of the 1986 report to the President and Congress, the Council members themselves will play a lead role in conducting these studies, and the Council members will be assisted by Council staff persons, advisors, and in certain cases, contracted experts or specialists.

CONSUMER ADVISORY COMMITTEE

Question. The National Council on the Handicapped holds periodic Consumer Forums to gain advice and input from consumers. The Council also has a Consumer Advisory Committee to gain advice and input from consumers. Why does the NCH need to support expenses of a Consumer Advisory Committee when the Consumer Forums are designed to get broad, varied input from consumers?

Answer. The Consumer Advisory Committee provides the Council with a stable source of organized, systematic input on issues affecting people with disabilities. Although the Consumer Forums have been extraordinarily valuable sources of information for the Council about matters of concern to people with disabilities and their families, the Forums have not produced the level of detailed advice which the Council anticipates receiving from a group of well-chosen leaders of the American disability movement. The Council believes that it is important to insure that consumer views are obtained via every possible mechanism available. Thus, the Council not only engages in Consumer Forums and plans a Consumer Advisory Committee, but also encourages individual consumers and representatives of consumer groups to communicate with the Council. Additionally, individual Council members make personal visits to meetings of consumer groups and meetings with knowledgeable consumer leaders and advocates.

Question. How much money has been allocated for expenses of Consumer Advisory Committee members in the FY 1986 budget?

Answer. Ten thousand dollars has been allocated in the FY 1986 budget for travel and related expenses of the Consumer Advisory Committee members. According to statute, no funds have been set aside for payment of fees or honoraria to advisory group members.

Question. You indicate that these expenses are for the support of 12 consumer advisors. How many individuals have to date been invited and agreed to serve as consumer advisors?

Answer. Thus far, 37 individuals have been invited to and have agreed to serve as consumer advisors to the National Council on the Handicapped. The Council intends to select a sub-set of this larger advisory group to travel to face-to-face advisory committee meetings. It should be noted that although the Council is legislatively authorized to have volunteer advisors, and although the Council has made certain plans to involve these advisors in Council activities, the advisory committee has not yet been formally organized as the Council is awaiting approval from the Committee Management Secretariat (GSA) prior to taking such formal action.

CONSUMER FORUMS

Question. How many Consumer Forums are planned for FY 1986?

Answer. Four Consumer Forums have tentatively been planned for FY 1986, and these Forums are likely to be held in conjunction with the scheduled quarterly meetings of the Council.

Question. I understand that an upcoming Consumer Forum is scheduled for Vail, Colorado. Is that correct?

Answer. The Council has been planning a Consumer Forum to be held in Denver, Colorado. However, it is likely that the Council will amend its plans and hold its August meeting in Washington, DC instead of Colorado as originally planned.

Question. How much will it cost the Council to conduct this Forum in Vail?

Answer. When Forums are held in conjunction with regularly scheduled and legislatively mandated quarterly meetings of the Council, no significant additional expenses are associated with these Forums. In the case of the quarterly meeting which has been planned for Colorado, the Council has planned to have a Forum in Denver on the first day of its scheduled three-day meeting and then to move to Vail for the final two days of Council business meetings. Since the Council is changing locations in order to accommodate consumers who can travel more easily to Denver than to Vail, one could estimate that several hundred additional dollars in cost could be attributed to this mid-meeting move from one city to another. However, as mentioned, it is likely that these plans to meet in Colorado will be dropped and that the Council will instead hold its August quarterly meeting in Washington, DC.

Question. How much would it cost to conduct this Forum in Washington?

Answer. The cost of conducting Forums when they are held in conjunction with scheduled quarterly meetings of the Council are negligible. The costs of regularly scheduled Council meetings vary depending on where the Council actually meets. Most of the costs of these meetings involve travel by Council members and staff to the meetings. Since members live in various locations around the United States, travel to Washington, DC may be just as expensive, or even more so, than travel to other cities where meetings may be held. The costs of staff travel, however, are significantly higher when the Council meets in any city outside of Washington, DC because all the staff members of the Council are stationed in the Washington, DC area.

Question. Why was Vail chosen as the site to gather consumer input?

Answer. Although the business meetings of the Council were scheduled to be held in Vail, the Council voted in its January, 1985 meeting to use Denver as the site for its August Consumer Forum. Denver was selected instead of Vail because of its comparatively larger population and because it was comparatively more accessible to consumers than Vail.

NIHR EVALUATION

Question. The Council is charged with reviewing all Federal laws, programs and policies affecting disabled groups and making recommendations to Congress. You indicate in your major activities summary for FY 1983 that the Council 1) undertook a critical evaluation of policies of the National Institute of Handicapped Research, and 2) conducted a policy-oriented evaluation of programs in the Office of Special Education and Rehabilitation Services. Are these evaluations finished, and have any recommendations been formulated?

Answer. No, sir, these evaluations are not yet complete. The Council is presently in the process of designing these evaluations, and it is anticipated that they will be completed by the end of this Fiscal Year.

Question. Please provide the results of these evaluations and subsequent recommendations to the Subcommittee.

Answer. The Council will be pleased to share the results of these evaluations and any recommendations which may result from them with this Subcommittee and with any other Committees in the Congress which may have similar interests.

NCH FELLOWSHIP PROGRAM

Question. You are requesting $30,000 to partially fund two Fellows to assist with Council activities. What activities are Fellows currently involved in?

Answer. NCH Fellows are currently involved in assisting the Council to prepare background reports and recommendations for its 1986 report to the President and Congress. The Fellows are also engaged in the process of orienting themselves to the Federal legislative process. The Fellows have been meeting with a number of Congressional staff members and representatives of Washington-based advocacy organizations during the past several weeks.

Question. Are Fellows involved in such activities at the Council on a full-time basis?

Answer. The NCH Fellows are generally treated in the same manner as full-time employees of the Council. Fellows are encouraged to meet with representatives of consumer groups, Congressional Committees, and Federal agencies. The Council assists in facilitating such meetings whenever possible. The purpose of the Council Fellowship Program is not only to provide the Council with the professional services of Fellows but also to provide Fellows with the opportunity to learn about legislative and administrative processes which affect people with disabilities and to learn about how disability policy is created and implemented.

Question. Are Fellows selected through an independent review process and can you describe that process for the record?

Answer. Yes, sir. Fellows are selected through an independent review process which is managed by a reputable agency under contract to the Council for this purpose. The Fellows' selection process begins in late Summer or early Fall with the announcement of the NCH Fellowship opportunity. This announcement is made by the Council contractor through a nationwide mailing. Applications are received by the contractor for several weeks and are screened by the contractor to assure the accuracy and completeness of information. Once the applications have been screened and after the closing date for receipt of applications, an independent committee of reviewers selected by the contracting agency ranks the applications according to criteria which are suggested by the contractor and reviewed and approved by the Council. Following this extensive review and ranking process, the contracting agency forwards to the Council a list of most highly recommended applicants for review along with supporting documentation. The Council then has the final opportunity to review and select two Fellows from among those finalists who were recommended through the independent review process.

Question. Do you plan to formally evaluate this Fellowship program in order to determine how it might be improved in the future?

Answer. The Council is presently in the process of evaluating this Fellowship Program and the process by which Fellows are selected in order to make improvements in the program and the selection process at the earliest possible date. Thus far, the Council's Fellowship Program has been highly successful, and the Council looks forward to continuing this outstanding educational program.

EDUCATION OF THE HANDICAPPED ACT

Question. You indicate that the Council will be addressing Part B of the Education of the Handicapped Act (EHA) during FY 1986. Does the Council also intend to address the EHA discretionary programs, which, unlike Part B, are up for reauthorization that year?

Answer. The Council intends to review all disability-oriented legislation which is up for reauthorization during FY 1986 and to make any recommendations which it believes are advisable. This would include the EHA discretionary programs.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

SPECIAL STUDIES

Senator Proxmire. You are requesting $286,000 for administrative support and special studies. How much of this will be allocated for special studies.

Answer. Thirty thousand dollars will be available to the Council for special studies during FY 1986 if this proposed budget is approved.

Question. How does this compare with current funding levels?

Answer. During FY 1985, $125,000 is budgeted for special studies of this nature.

Question. What will these studies include?

Answer. During FY 1985, these studies will focus principally on the Council's special February 1986 report to the President and Congress. The studies will be designed to provide the Council with certain background information such as cost/benefit analyses which will be used to support recommendations in the 1986 report.

Question. How are the topics chosen and who will carry them out?

Answer. Specific topics are chosen by the Council based on input from staff, consumers, professionals, legislators, program administrators and from the Council members' own experiences and knowledge. The general topics of the February 1986 report to the President and Congress specified quite clearly by Congress in the Rehabilitation Amendments of 1984. Contracted studies are carried out by knowledgeable agencies or individuals which can produce the required work on a timely basis.

NCH FELLOWS

Question. You are requesting $30,000 next year to partially support two Fellows who will assist with Council activities. How are these Fellows selected -- through an independent review process?

Answer. Yes, sir. The NCH Fellows are selected through an independent review process which has been described in detail in answer to a previous question.

Question. Are there any plans to evaluate this program in the future?

Answer. The Council is presently in the process of evaluating this program and will use the results of this evaluation to improve both the Fellowship Program and the selection process for this program in the future.

Question. In what activities are Fellows currently involved at the Council?

Answer. Fellows are currently involved in assisting the Council to develop recommendations to be incorporated in its 1986 report to the President and Congress. Fellows are also engaged in routine administrative activities at the Council just as other professional staff members are so engaged, and Fellows are involved in an extensive orientation program to acquaint them with the process of implementing disability policy at the Federal level. The Council is very proud that its Fellowship Program has been as successful as it has been in only the second year of Council activity as an independent Federal agency. Last year, more than fifty individuals applied for the two available NCH Fellowship positions. A great deal of excitement is apparently generated by the opportunity to work with the Council and learn first hand about the legislative and administrative processes and programs which affect the lives of people with disabilities. It may be of interest to you to know that a majority of the people who applied for this Fellowship were persons with disabilities, and the two individuals who are serving as NCH Fellows this year are both individuals with disabilities. This seems to be one of the few opportunities available for disabled people to gain the experience and skills which they desire in order to become leaders in the disability movement and the rehabilitation and special education fields.

SUBCOMMITTEE RECESS

Senator Weicker. The subcommittee will stand in recess until Tuesday, April 30, at 9:30 a.m. At that time, we will finish the administration's testimony on fiscal year 1986 budget proposals for the following: Office of the Inspector General, Department of Health and Human Services; Soldiers' and Airmen's Home; the Prospective Payment Commission; the Railroad Retirement Board; the National Labor Relations Board; the National Mediation Board; the Occupational Safety and Health Review Commission; and the Federal Mediation and Conciliation Service.

Don't we have two agencies that failed to appear before. Who are they?

Mr. Doyle. Departmental management and policy research within the Department of Health and Human Services.

Senator Weicker. You will inform them that they should be at this hearing, and I expect them to be here at the beginning of the hearing at 9:30, and they will testify at the end of the hearing.

The subcommittee will stand in recess.

[Whereupon, at 10:45 a.m., Thursday, April 25, the subcommittee was recessed, to reconvene at 9:30 a.m., Tuesday, April 30.]

DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1986

TUESDAY, APRIL 30, 1985

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 9:35 a.m., in room SD–116, Dirksen Senate Office Building, Hon. Lowell P. Weicker, Jr. (chairman) presiding.

Present: Senators Weicker, Andrews, Proxmire, and Burdick.

U.S. SOLDIERS' AND AIRMEN'S HOME

STATEMENT OF LT. GEN. GEORGE H. McKEE, GOVERNOR

ACCOMPANIED BY:
COL. MIMS C. AULTMAN, DIRECTOR, HEALTH CARE
COL. ROBERT W. HAMPTON, DIRECTOR, ADMINISTRATION
ARTHUR J. CURRY, BUDGET OFFICER

INTRODUCTION OF ASSOCIATES

Senator WEICKER. The subcommittee will come to order.

Our first related agency this morning is the Soldiers' and Airmen's Home, and here to present the 1986 testimony is Gen. George McKee, the Governor of the home.

General McKee, why don't you go ahead and summarize your statement, and introduce your colleagues. It is always a pleasure to see you.

General McKEE. Thank you, Mr. Chairman.

I have with me this morning, Dr. Mims Aultman, the Director of our Medical Facility; Col. Bob Hampton, the Director of Administration; and Mr. Arthur Curry, the Budget Officer at the home.

In addition to the statement, which I will submit for the record, Mr. Chairman, I would like to say a couple of additional things here.

RESTORATION PROGRAM

First, I would like to thank you and the committee for your support of our Restoration Program and for the additional personnel you authorized for our health care facility last year. We are getting things done in our restoration effort. Doing first things first, we are reroofing the buildings, repairing our elevators, replacing our outdated electrical components, transformers, and so forth. By this June, our central dining hall will be air-conditioned. The architectural and engineering [A&E] work should be completed for the new intermediate care building by November. The plans and specifications should be completed in April 1987, and construction could start in the August/September timeframe of 1987.

It is requiring a little more time than we had anticipated because we are planning to construct a new facility on the present site of the current dining hall. This is to maximize the layout of the health care complex for the patients and for the staff, as well as maintaining the structural lines and integrity of the other buildings in the area.

We requested sufficient funds to properly phase this requirement from the planning to the contractual phase, but unfortunately the amount forwarded by the administration in this year's budget is short of our minimum requirements for our capital outlay needs.

BUDGET REDUCTION

The operation and maintenance budget for the home this year isn't a freeze, but it is a budget reduction for us, $32.6 million for 1986 versus $32.9 million for last year, 1985.

The dollar amount before you includes no consideration for inflation, a $251,000 reduction in our operational account, and the 5-percent pay reduction for the work force which, if not restored, will cause us to release at least 37 employees from the work force at the home.

We have been making progress at the home. For the past year, you could say that things have been going well with the smaller projects. But now it is time to move ahead with the major restoration programs such as the air-conditioning of our facilities, and the sorely needed expansion of our health care facilities.

PREPARED STATEMENT

We are ready for any questions you may have for us.

[The statement follows:]

STATEMENT OF LT. GEN. GEORGE H. McKEE

PURPOSE

The purpose of this statement is to furnish information on the Home which may be of interest during the committee's consideration of the Home's fiscal year 1986 appropriation request. Included is pertinent information on the Home: its mission, administration, physical plant, financing, and members. The statement also provides a general description of the fiscal year 1986 appropriation request as compared with the fiscal year 1985 appropriations.

MISSION

The Home was established by Congress in 1851 for the relief and support of retired, invalid, or disabled soldiers of the Regular Army. Membership is a benefit for former warrant officers and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order not as priorities, but because about 88 percent of the membership is of the first group, and about 12 percent is of the disabilities groups.

ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners now composed of the Governor of the Home; The Surgeon General, U. S. Army; Comptroller of the Air Force; Deputy Chief of Staff, Manpower and Personnel, U. S. Air Force; Chief of Engineers, U. S. Army; The Adjutant General, U. S. Army; The Judge Advocate General, U. S. Air Force; the Sergeant Major of the Army; and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The law provides for an annual report of inspection of the Home by The Inspector General of the Army to be submitted to Congress.

PHYSICAL PLANT

The Home is situated in northwest Washington, D.C. Facilities include four domiciliary and three hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2,028 beds. Our hospital has a capacity of 385 beds. Throughout the years, the loss of Home lands to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's lands against past proposals to further reduce it.

FINANCING

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of twenty-five cents from each enlisted member and warrant officer of the Regular Army and Air Force, and, (2) fines and forfeitures imposed upon these people by sentence of courts-martial. Public Law 94-454 increased the monthly withholding to fifty cents. Public Law 96-357 amended the Act of 1851 to also include fines and forfeitures imposed upon the aforementioned people under authority of Section 815 of Title 10, U.S.C., commonly referred to as non-judicial punishment. The Act of 1883 established a Permanent Fund in the U. S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended so that the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States, would set the interest rate. Under this amendment, the Home is now receiving about 9.8 percent interest on its fund balance. Public law 94-454, in addition, authorized the collection of a fee from the members of the Home. The Permanent Fund balance on September 30, 1984 was $152 million.

MEMBERSHIP

Our male members range in age from 40 to 100, with an average age of 68. Our female members range in age from 49 to 90, with an average age of 75. There are 80 female members. The average age of the patients in the Health Care Facility is 73 years. Average total membership during the fiscal year 1984 was 2,057 including 1,943 present.

THE FY 86 BUDGET FOR OPERATION AND MAINTENANCE

The Home's fiscal year 1986 operation and maintenance appropriation allowance is $32,654,000, an amount $622,000 less than its expected fiscal year 1985 appropriation of $33,276,000 which includes a supplemental of $324,000 for pay raises in fiscal year 1985. Most of the reduction is based on the assumption that Federal employee pay will be reduced five percent in 1986. The budget also reflects program reductions. A detailed description of the reduction is included in the Home's justification booklet which has been submitted to the committee.

THE FY 86 BUDGET FOR CAPITAL OUTLAY

The Home's fiscal year 1986 capital outlay appropriation allowance is $4,000,000. Of this amount, $1,362,000 is for detailed architectural and engineering plans and specifications necessary for renovation and construction of Home buildings. For additional financing of renovation projects $2,638,000 is requested.

CONCLUSION

The members of the Home appreciate the interest in their welfare that the committee has taken over the years.

BIOGRAPHY OF LT. GEN. GEORGE H. MCKEE

A. Personal Data:
Born: 28 April 1923, Pickens, South Carolina
Married to: Nikki Young
Children: Two
Home Town: Lakeland, Florida

B. Education:
Military--
Army Administration School
Air Tactical School
Industrial College of Armed Forces
Civilian--
University of Omaha - B.A. Degree - Education

C. Major Permanent Duty Assignments:

	From	To
Enlisted -- Instructor, Airplane Mechanics Course, Aircraft Crew Chief, Flight Chief, Quality Control Inspector, Pilot B-17, B-29 Aircraft. Highest enlisted grade, Master Sergeant	1940	1947
Aircraft Commander, Squadron Maintenance Officer, Adjutant, Operations Officer, Commander, 49th Bomb Squadron, Hunter AFB, Ga.	1947	1955
Command Project Officer, SAC Command Control System	1955	1960
Deputy Commander, 3974th Combat Support Group, Zaragoza, Spain	1960	1961
Commander, 3974th Combat Support Group, Zaragoza Air Base, Spain	1961	1963
Deputy Commander for Maintenance, Blytheville AFB, Ark.	1964	1965
Commander, 319th Bomb Wing, Grand Forks AFB, N. D.	1965	1966
Commander, 97th Bomb Wing, Blytheville AFB, Ark.	1966	1967
Commander, 72nd Bomb Wing, Ramey AFB, Puerto Rico	1967	1968
Commander, 19th Air Division, Carswell AFB, Texas	1968	1970
Director, Maintenance & Engineering, Headquarters USAF	1970	1972
Chief of Staff, Strategic Air Command	1972	1973
Commander, Eighth Air Force, Guam	1973	1974
Commander, Air Training Command	1974	1975

Retired from active military service, over 34 years	-- 1975
Presidential appointment as Governor, United States Soldiers' and Airmen's Home	1 November 1978

D. Decorations and Service Awards:

Distinguished Service Medal (with 2 Oak Leaf Clusters)
Legion of Merit (with Oak Leaf Cluster)
Distinguished Flying Cross
Air Medal (with 4 Oak Leaf Clusters)
Good Conduct Medal
European/African/Middle Eastern Campaign Medal (with 4 Service Stars)
Vietnam Service Medal (with Silver Star)
Air Force Outstanding Unit Award Ribbon
Legion of Merit from Spain
Outstanding Civilian Service Medal, Department of the Army (1983)

BUDGET REDUCTION

Senator WEICKER. I don't understand something. I gather that the overall budget is $600,000 less than was appropriated in fiscal year 1985. Is that correct?

General McKEE. No, sir; it is really $1.5 million less than what is needed in the "Operations and maintenance" account. We have the 5-percent pay reduction that has been taken out of the budget, and it didn't allow anything for inflation considerations. Plus we were given some $251,000 reduction in our operational and contractual area.

RESTORATION PROGRAM

Senator WEICKER. I understand that you are requesting $4 million for your Capital Program. The real need, I gather, is $15.7 million, is that right?

General McKEE. That is what we submitted as part of our 1986 budget request, and what you received was $4 million. We need at least an additional $4 million in addition to that, for a total of $8 million, to continue the program on a limited phased basis.

Senator WEICKER. That leads me again to where I was before if there is that kind of discrepancy. The Capital Program is part of the overall budget, isn't it?

General McKEE. No, sir.

Senator WEICKER. You have provided both your operating and your capital budgets.

General McKEE. Yes, sir.

Senator WEICKER. You received $9.4 million last year. The request was $15.7 million, OMB has given you $4 million, and you are saying that you need $8 million in order to stay on track.

General McKEE. That is correct, sir.

AIR-CONDITIONING

Senator WEICKER. Where do we sit vis-a-vis the air-conditioning in the living quarters of your members?

General McKEE. At the present time, we have not done anything other than some A&E work in that area. The main dining hall in the central dormitory complex will be air-conditioned by this June.

Senator WEICKER. The dining hall will be air-conditioned?

General McKEE. That is correct.

Senator WEICKER. The main dormitory is also air-conditioned?

General McKEE. No, sir; we have only 22 percent of the beds in the main dormitories air-conditioned, and only 35 percent of the beds in the health care facility are air-conditioned. So we still have major steps to take.

Senator WEICKER. How long is it going to take to do that? That to me is a most pressing need. Obviously, there is a pressing need for the health care facility and the medical equipment. Aside from that, it would seem to me that nothing would be more pressing, considering that the facility is located in Washington, DC, than air-conditioning of the living quarters.

General McKEE. You are right, Mr. Chairman, and our only interim solution would be to install window-type units if our electrical circuits would support it. But they are of the vintage where they cannot carry the additional load.

Senator WEICKER. If we gave you, let's say, the $8 million figure, is that going to impact on accelerating the air-conditioning of the living quarters?

General McKEE. No.

THE 10-YEAR PLAN

Senator WEICKER. How is this 10-year plan set up?

General McKEE. The first thing I want to do is give the priority to the health care complex where the patients are, the people who cannot even get around and get any relief from the weather conditions, hot weather especially.

Also, we need to replace the dining hall and the kitchen, to construct a new one.

Senator WEICKER. Why is that more of a priority? I agree with you on the health care facility, so we are over that. Why is the dining hall more important than the living quarters?

General McKEE. It is an old antiquated, outdated facility. When the patients go in there in the summertime, it is so hot that it is unbearable. You can hardly eat your meals there.

Senator WEICKER. I gather that that has been done. I gather that this is going to be done by this June; right?

General McKEE. No, sir; we have two dining hall facilities, one in the dormitory area where some 1,700 or 1,800 members live and eat.

AIR-CONDITIONING

Senator WEICKER. That is not air-conditioned.

General McKEE. That is not air-conditioned, and that is going to be air-conditioned by this June.

Senator WEICKER. The dining hall in the health care facility is air-conditioned.

General McKee. No, sir.

Senator Weicker. Which one is going to be completed in June?

General McKee. The one in the dormitory.

Senator Weicker. That is the main dining room.

General McKee. That is right.

Senator Weicker. That will be done this June.

General McKee. Yes; it will be done this June. The reason that we are not doing it in the health care facility is because we need to replace the entire dining hall facility. It would not be wise to air-condition it if we are going to demolish it a few years from now.

RESTORATION MONEY

Senator Weicker. Answer my question: What would you request of me, if there were absolutely no constraints at all, No. 1, what would you request in the way of money, and No. 2, what would be the timeframe if you had that money in which the living units for the patients could be air-conditioned?

General McKee. What I would request of you, sir, is to give me $15 million this year, with following increments of about $15 million for 3 years running. During the next 5-year timeframe, we could get through the entire renovation process of the health care facility as well as the dormitory.

Senator, I have a problem in that I just have so many bedrooms and I can't close down an entire dormitory, or one-half of the hospital, because I have no place to put the members. So I need to do this in a phased program, and that is the reason that it is going to have to be stretched out a little longer than what we would like to have.

Senator Weicker. I certainly understand your problems and they are not helped by the figures given you by OMB. I really think that I would like to come at this thing in a more precise way in the sense that we just don't have the time to go back and forth here all morning long, on this matter of air-conditioning of the living quarters.

You are talking about 5 years here, and I would say that a good percentage of your people out there won't even be alive to see the air-conditioning. I will tell you, I don't enjoy being in this town in the summertime, and I am supposed to be in the prime of health, let alone someone older.

I would really like to see something done on this score, in accordance with your plans. Maybe you can illuminate the staff a little bit more as to exactly what the timing is, and what the objectives are within any particular timeframe.

General McKee. We have such a chart that we can provide to staff for the record.

Senator Weicker. Why don't you do that. I am not going to say what the figure is going to be, whether it is $4 million or $8 million, or whether it is the $15 million. I think my decision is going to be based, and the committee's decision is going to be based, on what can be accomplished to make living more comfortable for these people in the shortest possible time. We will be glad to help on this.

I have no further questions, except for those that we will submit for response to the record. Is there anything that you would like to state at this time?

General McKEE. No, sir; once again, I appreciate the support that you have given us.

Senator WEICKER. Hasn't Senator Rudman been out there? Doesn't he take a particular interest in this matter?

General McKEE. I have not seen him there recently, sir.

Senator WEICKER. I guess I am overdue for a visit.

General McKEE. Yes, sir you have an invitation for any time, 7 days a week, Senator.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. Listen, the way this administration treats me, I might move out there as a permanent resident. [General laughter.]

General McKEE. Thank you, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

Questions Submitted by the Subcommittee

Trust Fund

Question. Have deposits to your trust fund kept pace with the increase in outlays?

Answer. Yes. Income in FY 1984 exceeded outlays by $17,813,000. Income for the next several years is expected to be about $50 million.

Question. What is the current balance of your trust fund, and what will it be by the end of FY 1986?

Answer. The current balance available for appropriation is $151,993,000. With enactment of the budget proposed by the Administration that balance will increase to $175,636,000 by the end of FY 1986.

Additional Positions

Question. This Committee increased your Full time equivalent (FTE) allocation to 1,032, providing 30 additional positions for FY 1985. Have you been able to fill these positions?

Answer. These positions are filled, with exception of a few Registered Nurses, a Physical Therapist, and several other hard-to-fill vacancies where turnover is normally above average.

Question. Has the operation of the Home and hospital and services provided for its members been improved by the addition of the 30 FTEs?

Answer. Yes. The operation of the Home and hospital have been improved by the 30 FTEs added last year. Staffing and care in the Home's hospital has improved considerably with the addition of the FTEs in FY 85.

Personnel hired by last year's FTE increase were:

Registered Nurses	-7
Nursing Assistants	-9
Physicians Assistant	-1
Physical Therapist	-1
Nurse Practitioner (Occupational Health)	-1
Physician (Occupational Health)	-1
Registered Medical Record Librarian	-1
Medical Unit Clerks	-4
Medical Supply Management Officer	-1
Medical Supply Warehouseman	-2
Food Service Foreman	-1
Food Service Worker	-1
Total	-30

During 1984 the reconstructing of inpatient units and distribution of patients into geographical levels of care was accomplished. One 60-bed unit was designated as the admission and short-term care unit. All members admitted to the King Health Center are assigned to the Admission Unit where they are completely worked up and evaluated. The other six (6) inpatient units were restructured by levels of care, (i.e., Care Level I = Intensive Skilled 24-hour Nursing Care is required; Care Level II = Intermediate or less than 24-hour intensive nursing care; Care Level III = Protective or Intermediate Care.) In addition, there is an Alcohol Abuse Treatment, Psychiatric and Neurobehavioral Rehabilitation Unit.

Patients in each of the care areas re-evaluated at regular intervals by interdisciplinary groups, and either continued in their current area or are transferred to a more appropriate skill level, if their condition warrants. New goals and treatment objectives are established at this time.

Nursing Staff are assigned to each level of care according to the required skill level, and in numbers adequate to accomplish level of care.

In short, we have accomplished reorganization of the inpatient units, the educational and instructional programs for both staff and patients, and are further fine-tuning these concepts within our limits of bed space and personnel available.

The evolution of families as providers of some long-term care does not apply at the Home since, usually, there are no friends or family members available to assist or deliver any care needed. One fourth of our member patients need help toileting, one third need help in eating, dressing and bathing, and one fourth need help in getting around.

Concentrating the levels of care within groups makes service and care more viable, practical and economically feasible, and our FTE request is to correct and resolve inadequacies that relates to the growth and age of our member population, and services that should be provided.

Question. Are 1,032 FTEs sufficient?

Answer. No. 1,032 FTEs are not sufficient.

Additional hospital staff is still needed and was included in our FY 86 budget submission.

Based on our manpower management engineering study presented to the Committee in 1983 and 1984, and on our current inpatient load of 92% occupancy and a patient distribution in levels of care described above, we believe a manning requirement of 555 FTEs is the staffing level necessary to properly carry out the care and to improve our service to meet the need of our distinguished Members.

Improved Services are required. We should improve our outreach services, Recreation, Speech Therapy, Ambulatory and Community Nursing Care Programs. We would apply any additional FTE authorization to correcting deficiencies in these areas by establishing the following positions:

Physicians	2	$107,292
Registered Nurse	10	218,040
Nurse Practitioners	3	79,143
Nursing Assistants	6	86,340
Speech & Language Pathologist	1	31,619
Alcohol Rehabilitation Technician	1	17,824
Barbers	1.5	29,586
Medical Supply Warehouseman	2	32,234
Biomedical Equipment Repairman	1	21,804
Recreation Therapy	1	17,824
Patient Advocate	1	21,804
Medical Records Technician	1	14,390
Subtotal	30.5	$677,900
Benefits	0	81,348
Total	30.5	$759,248

Budget

Question. You are requesting an operating budget for FY 1986 that is $600,000 less than appropriated in FY 1985. (FY 1985: $33,276,000 -- FY 1986: $32,654,000). What was your request to OMB for FY 1986?

Answer. The Home requested $35,939,000 for operations and maintenance. Of that amount $885,000 was for inflation, $780,000 was for additional staff, $1,322,000 was pay related items to include the annualization of the pay raise effective January 1985.

Question. What projects and/or programs will be deferred as a result of OMB's reduction?

Answer. The $600,000 is actually a net figure. Our budget has two assumptions built into it. The first is that there is to be a 5 percent pay cut. If that does not occur we will be short $852,000. There is no provision for inflation. Using the Administration's 4.4 percent projection we will need $423,000 in FY 86. Also, the base level was reduced $251,000. In all the shortfall for FY 86 for operations and maintenance could be as much as $1,526,000. That much of a program cut would require a reduction in force which would undo the recent beneficial actions mandated by the Committee.

Deferrals in routine maintenance, and not purchasing needed supplies in the quantity and quality required would also occur. All this just deprives the Home members the benefits of the trust fund that they are entitled too.

Question. How will the lives of all 2400 retired servicemen under your care be affected by the budget cut?

Answer. Adversely. Our distinguished veteran members have served their country in the prime of their lives. The Congress established the Home for the caring of its members in their later years. The trust fund has the resources to support the level of care the members deserve. However, the reduction that is implicit in the FY 1986 budget will result in immediate cuts in the Home employees that are providing member care. Additionally, reductions in physical plant maintenance have long-term debilitating effects on the Home's infrastructure. Therefore, future members are also being deprived of their entitlements.

Capital Program

Question. When do you foresee completion of the new intermediate care facility?

Answer. Dependent upon continued funding, the project should be completed in late 1989.

Question. Can you project your funding requirements for an on-time completion of this facility?

Answer. A refined cost estimate will be developed as a result of a concept study, now in progress and scheduled for completion in September. Our current cost estimate for construction of the Intermediate Care Facility is $26.2 million with $5.8 million from current and previous requests and $12.7 million in FY 87 and $7.7 million in FY 88 required.

Question. Last year Congress appropriated $9.4 million from your trust fund to accelerate your rehabilitation program. How has that money been used?

Answer. Funds use include A&E for preparation of plans and specifications; replacement of dormitory elevators; repair of dormitory roof; rehabilitation of steam lines; repair of street lighting; and as a part of the eventual design and construction of the Health Care Dining/Intermediate Care Facility.

Question. How far along are you in providing air-conditioned living space for your members?

Answer. Currently, it is in concept design. If the additional $11.7 million is provided, $7.7 million would be used to begin construction in one dormitory in October 1986 and be completed before summer 1988.

Question. This year you are requesting $4.0 million. Is this amount sufficient to meet your long-range plans?

Answer. No, it is not.

Question. How much more would be needed to stay on target?

Answer. In order to meet the schedule, an additional $11.7 million is needed in FY 1986.

Question. How will the $4 million be used in FY 1986?

Answer. The funds will be used to complete elements of the planned projects of A&E for building rehabilitation, the Health Care Dining/Intermediate Care Facility and repair of steam and hot water lines and street lighting.

Question. What are your plans for FY 1987?

Answer. The FY 1987 request will include continued funding for the Intermediate Care Facility; additional phases of steam and hot water lines and street lighting repair; and A&E for projects to renovate dormitory bath and latrine facilities, asbestos rehabilitation, and emergency outpatient care wing for the main Health Care, (Pipes) Building.

Dishonest Employee

Question. I was sorry to read about the former employee who was convicted of taking money from patients' bank accounts. How much money was involved?

Answer. Lois A. Pope pleaded guilty to charges of taking $173,000 from 32 victims. In his sentencing memorandum, the U. S. Attorney indicated that an additional $177,000 appeared to have been taken.

Question. Have all the victims been identified, and has restitution been made?

Answer. We have a special team at work now, in conjunction with the U. S. Attorney's Office and legal advisors of the Air Force Judge Advocate General, to identify all the victims and verify amounts she took from them. Further, back records are being obtained by subpoena, and once the team has them, we expect to complete this task.

The Home and its Board of Commissioners intend that restitution for all victims or their survivors be made, as early and completely as possible when the team's work is done. Part of the restitution was an element of the court's sentencing terms. The judge assessed a fine of more than $38,000 from Pope which is to be used, and also required that $135,000 in restitution be made.

Question. What have you done to prevent something like this from happening again?

Answer. Pope's office was closed and her work with patients terminated during the audit of her functions which uncovered her crimes. We took immediate and continuing actions to tighten controls, increased surveillance, and prevent recurrence. These included removal of financial assistance functions from the Home hospital; thorough, recurring professional audits; new controls and limits on patients' bank withdrawals and cash; daily review of transaction records and accounts; every transaction conducted and certified by two tellers; direct electronic bank deposit of patient pensions; appointment of conservators for incompetent patients; computerized, separately maintained transaction accounting; and close control on cashier's check and money order purchases.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

Alzheimer's Disease

Senator Proxmire. How many residents suffer from alzheimer's disease?

Answer. Presently, there are 80 cases of primary degenerative dementia, presumably Alzheimers Disease at the King Health Center, United States Soldiers' & Airmen's Home.

Senator Proxmire. I understand these patients are part of the research on alzheimers disease conducted by the National Institutes of Health. Tell us more about this.

Answer. These patients are not part of a National Institutes of Health study, but are soon to be part of a research project coordinated by principal investigators at Walter Reed Army Medical Center. There is a collaborative participation with the National Institute of Alcohol Abuse and Alcoholism in a five-year longitudinal study entitled "Long-term Neuropsychological Functioning Associated With Alcoholism: Mild Cognitive Improvement and Chronic Organic Brain Syndromes."

Reduced Medical Services

Senator Proxmire. Given the fact that part of the Home is a health care facility and thus somewhat sensitive to inflation, I don't understand how you can maintain the same level of medical services for these elderly patients without making an inflationary adjustment in the budget. Tell us how you plan to accomplish this next year.

Answer. Without the inflationary adjustment, the Health Care Services of the United States Soldiers' & Airmen's Home cannot maintain the same level of medical service, and we will have no choice but to reduce the current level of care. In FY 85, we have already found ourselves to be underbudgeted for pharmaceuticals and central medical supplies and have had to postpone spending in other areas in order to provide our patients with some of their most critical needs. For FY 86, we requested not only an inflation factor but also an enhancement in both of these areas. Since we cannot continue postponing spending in other critical areas and although the facility is already 30 FTE's below the Manpower Survey's recommended staff level, we would have no choice but to reduce staff even further, which ultimately reduces the level of patient care.

Contractual Maintenance

Senator Proxmire. Can you give us more details about the proposed $251,000 reduction in contractual maintenance? What are we talking about here -- housekeeping, equipment or medical support?

Answer. The Home has endeavored over the past 10 years to establish cyclical programs for painting, paving, and roofing. The reduction of $251,000 programmed for FY 86 will virtually eliminate the effectiveness of those maintenance programs. This will lead to the debilitation of the Home's infrastructure in the long-term.

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PROSPECTIVE PAYMENT ASSESSMENT COMMISSION

STATEMENT OF STUART ALTMAN, PH.D., CHAIRMAN

ACCOMPANIED BY DONALD YOUNG, M.D., EXECUTIVE DIRECTOR

PREPARED STATEMENT

Senator WEICKER. Our next agency is the Prospective Payment Commission. Here to testify on its behalf is Dr. Stuart Altman, Chairman of the Commission.

Dr. Altman will bring his colleagues with him. If you will introduce your colleagues, your entire statement will be placed in the record at this point.

[The statement follows:]

STATEMENT OF STUART ALTMAN

Mr. Chairman, I am Stuart Altman, Ph.D. I am pleased to appear before you in my capacity as Chairman of the Prospective Payment Assessment Commission to present our proposed fiscal year 1986 budget. I am accompanied today by Donald Young, M.D., Executive Director of ProPAC.

Before I describe our appropriation request, let me bring you up to date on the Commission's activities since I appeared before you last year. At that time, the Commissioners had been appointed, but staff recruitment and substantive work was just beginning. I am happy to report that our activities are now fully underway, and the Commission has met the deadline of April 1, 1985 for its first annual report to the Secretary of Health and Human Services with recommendations for updating and maintaining the Medicare hospital prospective payment system. Copies of the Report have been sent to subcommittee members.

As you know, our basic responsibilities, mandated in Pub. L. 98-21 when the Medicare prospective payment system was enacted, relate to this annual report and recommendations. Specifically, we are required by the law to recommend each year to the Secretary the appropriate percentage change in the Medicare payments for inpatient hospital care, called the "update factor" which is applied to the previous years rates; and, to consult with and recommend to the Secretary necessary changes in the diagnosis-related groups (DRGs), including advice about establishing new DRGs, modifying existing DRGs, and changing the relative weights of the DRGs. In addition, we are to report to the Congress our evaluation of the Secretary's changes after they are finalized.

Although I will not go into detail on the 21 recommendations contained in the April 1 report to the Secretary, I would like to submit for the record the full text of the recommendations and the Commission's explantory discussion of each. In addition, I want to point out that in developing the recommendations, the Commission was guided by a set of cross-cutting priorities which we believe are very critical to our past and future work. The Commissioners, as individuals and as a group, are committed to work which has as its basis: maintaining access to high-quality health care; encouraging hospital productivity and long-term cost-effectiveness; facilitating innovation and appropriate technological change; maintaining stability for providers, consumers, and other payers; and using reliable and timely data and information for decision-making.

Let me highlight some key recommendations related to our major responsibilities in the areas of updating the PPS payment amounts and recalibration of the DRG weights.

ProPAC has recommended an increase in fiscal year 1986 Medicare inpatient hospital rates of the market basket (the amount of inflation in the cost of hospitals' goods and services) minus one percentage point, plus an adjustment for case-mix change. This recommendation, if accepted, would result in payment increases significantly less than those of recent years.

This recommendation represents the Commission's best judgment as to the net change in payments needed to provide scientific and technological advances in the hospital industry, balanced by changes in hospital productivity, changes in the services provided by a hospital, and any change resulting in sicker Medicare patients being treated in hospitals. In particular, the Commission's calculations reflect a judgment and belief that appropriate, sustained, and necessary technological growth in the health care industry can be achieved in part by savings generated through improvements in hospital productivity.

In the second major area of our responsibility, relating to changes in DRG classification and weights, the Commission has recommended adjusting all of the DRG weights using newer, more complete, and more accurate Medicare patient billing (PATBILL) data. Recalibration will enable PPS to reflect changes in hospital practice during recent years. As part of the recalibration process, we have also recommended that the DRG weights should be adjusted to avoid building changes in coding practice into future PPS payments.

It is difficult to quantify the result of these recommendations because ProPAC's recommendations depend upon the Secretary to make certain adjustments for case-mix changes based on information not available at the time of the Commission's decision-making and report. Specifically, ProPAC believes that changes in hospital case mix which are the result of sicker Medicare patients being treated should be added to the update factor of market basket minus one percentage point. On the other hand, in our recommendation to recalibrate the DRG weights, we have suggested that all reported case-mix change (or "coding" change) during 1985 should be removed from the DRG weights as part of the recalibration process.

The net effect of the update factor plus recalibration would, we believe, result in an overall increase in PPS rates for next year of about 1-3 percent if our recommendations were accepted and implemented.

Let me turn now to describe our fiscal year 1986 appropriations request. We propose a budget of $3,240,000, a slight increase of approximately $100,000 over the fiscal year 1985 level. Since it is estimated that approximately $347,000 will be available as unanticipated carry-over at the end of fiscal year 1985, the actual fiscal year 1986 appropriation request is $2,893,000.

Funds are expended in two major categories: Administration and Management and Data Development, Analysis, and Research.

In the Administration and Management category we have budgeted $2.4 million. This includes funding necessary for payment of Commissioners for travel and time spent on Commission business; for salary and benefits for a staff of not more than 25 full-time equivalent personnel; for facilities, supplies, equipment, and travel of that staff; for communications with the public, including maintenance of mailing lists, publication of reports and expenses associated with open meetings of the Commission; and for other administrative expenses associated with facilitating the work of the Commission.

The Commission conducts its business in open, public sessions. The work of the Commission is divided among three subcommittees, which usually first consider issues and information before referring recommendations or suggestions for review to the full Commission. There have been 26 formal meetings of the Commission and its Subcommittees to date.

The Data Development, Analysis, and Research category represents that portion of the proposed budget ($1 million) which will be expended through grants and contracts with outside organizations and individuals to provide a detailed quantitative information base for Commissioners to use in formulation of recommendations and reports.

Before describing our data development, analysis and research plans, I'd like to make two important points about this area:

- The Commission has deliberately delayed expending its fiscal year 1985 funding for data development, analysis and research until we knew clearly what our priorities should be and until we had determined our needs. Our priority-setting was done throughout our first full year of meeting and deliberation and we believe it was a wise decision to develop our plans in this evolutionary way. Although we may thus be off to a somewhat slow start in spending our fiscal year 1985 funds in this category, we nevertheless do expect to carefully use the full $1 million allotted.

- The Prospective Payment Assessment Commission is not a basic research program and we do not anticipate ever becoming one. Rather, we are an advisory body with, I believe, substantial and serious subjects to consider. We must use the best data available to support our need for information which assures well-informed decision-making.

As I noted, this fiscal year 1986 appropriation request anticipates the continued and/or expanded funding of analysis and research begun during fiscal year 1985 in areas designated by the Commission as high priority including: studies that focus on changes in the quality of care and health outcomes, improving the definition of hospital labor market areas, measuring variations in nursing intensity in hospital cost allocations, measuring productivity and changes in the hospital product, and analyzing the effects of PPS on the adoption of new technologies.

It is not anticipated that these funds would be used for clinical research, controlled trials, or formal technology assessments. Other governmental and private sector organizations have expertise and experience in these areas. The Commission has established liaison relationships with organizations which conduct such research so that we can continue to rely upon their work for any formal research which is needed to support our mandate. In addition, in order to avoid any duplication of effort, we have also taken care to inform ourselves about all the many prospective payment studies being undertaken by a wide variety of governmental and nongovernmental groups.

Mr. Chairman, I appreciate this opportunity to describe our work and our fiscal year 1986 appropriation request. Your assistance in granting our full appropriation request for this current fiscal year has enabled us to accomplish a great deal. We would be pleased to answer any questions the Subcommittee members may have.

INTRODUCTION OF ASSOCIATES

Dr. ALTMAN. Thank you, Mr. Chairman. I have with me Dr. Donald Young, the Executive Director of the Prospective Payment Commission.

Let me say that it is a pleasure to be here and to indicate how pleased we are with the support you and your staff gave us last year. Remember, last year was our first opportunity to come before you. We were a fledgling group, we had not even gotten going. Dr. Young had just joined us.

I think that we have had a good year. We have issued our report, and I know that you have a copy of it. We were supposed to complete it by April 1, and we made that deadline. We submitted it to Secretary Heckler on that date.

We have now hired our complete staff of 25 people. We are housed in the Reporters' Building down the street. We have been working quite hard. We have met as a full commission eight times, and we have split ourselves into three subcommittees. If you add them all together, there have been a total of 24 meetings.

OTA gave us a report card, and I think that we got at least an A-minus on it. The Commissioners have been very diligent in their work. The recommendations of the report, I might say, have been unanimously supported by the 15 Commissioners, and I am sure you are aware of how difficult that can be, given the diversity of the group that was appointed.

All in all, I think it has been a very productive year, and I am quite pleased as Chairman.

PROPAC RECOMMENDATIONS

I will not go into the 21 recommendations, but they are available, and if you don't mind, I would like to put them in the record.

I would like to focus on two final things. One, the Senate and the House asked us to make a recommendation to the Secretary on what we think the annual increase should be in the diagnosis-related groups [DRG] payment. We took that seriously. We also took the charge seriously that we should try to balance quality care with the need to maintain technological advances, with the need to rein in hospital spending and to ask the hospitals to be a little more productive. We weighed that all and we came up with a recommendation that we thought would allow the hospital industry to maintain quality to Medicare beneficiaries, and still allow enough money for technological advances by using some of the productivity growth. This recommendation is for an update factor of the inflation rate minus 1 percent, which is 1.25 percent below what the congressional mandate has been before.

So it is a tough number. It is tougher than we have ever seen in this industry, but it is significantly higher than what the administration has proposed for the industry, which is essentially to give them no increase at all.

People have asked us how we could come to this different conclusion, and our view is that we tried to come up with a number that we thought was as tough as possible, but maintained quality, and also gave some room for technological growth.

We also have suggested and recommended to the Secretary that she adjust for case mix differences in the industry. Take out that part which is due to coding changes. On the other hand, we recommend allowing the industry an increase for legitimate increases due to the fact that sicker patients are being treated. We have a complicated series of recommendations that would do that.

We have estimated that when you get through all of the ups and downs, our recommendations will result in an increase of between 1 and 3 percent. People are calling it about 2.5 percent. We are not in the position to estimate the exact dollar magnitude, but we have been using as a rule of thumb about $300 million per 1 percent, so it will be in the neighborhood of a $600 to $900 million increase if you look at it that way.

CBO has just done an estimate which shows that our estimates are a savings, and there could be a savings of over $1 billion depending on where in that spectrum it falls from the budget estimates that you have been using.

That is our recommendation there.

PROPAC BUDGET

We are here today to ask you for the budget for the Commission. We have tried to keep our budget within the range of what we have been operating on this year. We now have a much better picture of what we need, and it turned out that on average we were pretty accurate. I can't say that we were accurate in every number. Rent turned out to be a little more than we anticipated. The Xerox budget was a little more. We saved in other places.

We are asking you for a budget of $3,240,000, which is approximately $100,000 over this fiscal year. Given the fact that we will not be spending the complete budget, we will have $347,000 in carryover, so the amount that we are asking for is $2,893,000. Included in that is a $1 million amount for research, which we feel is critical to our activities.

I want to emphasize here that we do not see ourselves as a research organization. The money is directly earmarked for the functions of making the PPS system as fair and as equitable as possible, and so we can better understand how to make it work.

Thank you, Senator.

RESEARCH PLANS

Senator **Weicker**. The legislative mandate that created your Commission assigned a primary role of updating and recalibration of the DRG's.

How much of your research budget will be spent specifically on work related to this mandate?

Dr. **Altman**. We have not given the exact dollars broken out that way. We essentially have a little chart here which I would like to give you for the record which indicates the fifteen areas that we are going to be focusing on within the research budget. How it will allocate out exactly will depend upon the dollars that each of the contracts will need.

We are not in a position to say that we are going to spend $200,000 on this, and $300,000 on that. But we can give you the areas where we will be spending a lot of it.

[The information follows:]

The data development, analysis, and research agenda for the Prospective Payment Assessment Commission has been developed by the Commissioners and the staff and will be formally approved by the Commission at its July meeting. The current agenda for fiscal years 1985 and 1986 follows:

Effects of PPS on Health Care System

1. Analysis of the effects of the wage index adjustment, specifically: the effects on urban versus rural hospitals; inner city versus suburban areas within MSA's; and rural hospitals within a State.
2. Analysis of the effects of DRG compression, with particular attention to compression due to per-diem nursing cost allocation methods.
3. Measuring changes in quality of care and health outcomes resulting from PPS: develop measurement tools and develop strategies for using PRO data.
4. Measuring changes in productivity and changes in the hospital product.
5. Analysis of the effects of PPS on technology. Effects on the pace of adoption by hospitals; effects on the types of technology investments; and effects on the level of investments in the technology industry.
6. Hospital market basket studies identified in April report. Effects, under PPS, of minimum wage law; effects of market basket forecast errors; and employment cost index feasibility study.
7. Effects of using the current DRG classification to measure case mix in patient care.
8. The impact of PPS on geographic variations in practice patterns.
9. The effects of PPS on hospital closure and beneficiary access to hospital services.

Implementation of PPS

1. Definition of hospital labor market areas. Requires major data acquisition and modeling.
2. Methods for adjusting DRG weights for variation in nursing intensity.
3. Development of empirical support for the update factor. Assessment of existing evidence and develop long-term strategies for updating standardized amounts.
4. Rebasing the standardized amounts. Develop strategies for using cost data from all hospitals, or a sample of hospitals, for updating the standardized amounts.
5. Examination of generic DRG pricing issues, or problems, for new and/or changing technologies.
6. Methods of evaluating alternative patient classification systems for measuring patient case mix. Determine if departure from current DRG structure is desirable; severity classification systems; and procedure versus diagnosis-based system.

Major current intramural projects: Transition to national rates; disproportionate share hospitals; recalibration and normalization; and patient classification systems.

AMERICAN HEALTH CARE SYSTEM PROSPECTIVE PAYMENT

Senator WEICKER. How much of your research budget will be spent responding to a House report directing a study of the impact of prospective payment on the American health care system?

Dr. ALTMAN. Again, it is hard to say. Everything we do is directed toward understanding PPS impact. We are not focusing dollars specifically on that area independent of others. It is fair to say that when you get all said and done, a significant amount of the dollars will flow in areas that will then be used for that report.

We see that request as not being inconsistent with the responsibilities that the House and the Senate gave us.

ADMINISTRATION RESPONSE TO RECOMMENDATIONS

Senator WEICKER. ProPac has recommended a rate increase in prospective payment rates of 1 to 3 percent for the Medicare Program.

Dr. ALTMAN. Yes, sir.

Senator WEICKER. The administration is recommending a freeze on payments.

Dr. ALTMAN. Yes, Mr. Chairman.

Senator WEICKER. Now the following question: Did the administration directly respond to your recommendation or were you ignored?

Dr. ALTMAN. I suspect neither. They did their own thing and actually came out with a proposal for the freeze even before our April 1 report. They have reviewed our recommendations, so I don't think that we have been ignored. We may not have been listened to.

Senator WEICKER. How would you explain your position in light of the administration's proposal to freeze payments?

Dr. ALTMAN. As I said in my introductory remarks, we took seriously your charge, the Congress' charge, that we should try to balance out quality, the need for technological growth, and productivity. We came up with our best shot. It is, after all, an estimate. We are dealing in an area of reductions in spending for hospital care that this country has not seen for a long time. We think that our estimate is a prudent one. It is a conservative estimate. The administration, obviously, came up with a different set of numbers.

Senator WEICKER. How will hospitals and other providers be able to absorb what, by your own estimates, will be the Federal Government's nonpayment of part of its bills?

Dr. ALTMAN. You mean if the administration's proposal were accepted?

Senator WEICKER. Yes.

Dr. ALTMAN. I have been around now looking at how hospitals respond to constraints. I think what you would probably see is a variety of measures if it were to happen. I suspect there would be significant cutbacks in any capital growth, even though capital itself is not included in PPS rates, the operating part of capital clearly is. I also think there will be either layoffs or freezes in hiring.

Senator WEICKER. What about early discharge of patients?

Dr. ALTMAN. Given the incentives that are built into the DRG system, there is no question that if a hospital gets a fixed amount of dollars for an admission, and they can figure out a way to treat that patient in 1 less day and cut back costs, that there is then a savings.

I don't want to be overly critical of that, but there is the possibility that some people will be discharged before they should be. I do feel some obligation to say that when you are cutting back from a system that had all the incentives to keep people in too long, and you move to a system with different incentives, calibrating that amount is not an easy call. This is true even for a hospital that is trying to do a fair job, as opposed to one that is really skimming along the end. When you go from 9 days, for a particular stay, to 7 days, and then you try to push it to 6 days, when you get to 6 days there are going to be some people that really should have stayed for that seventh day.

I am sort of practicing medicine without a license. Maybe my colleague here would like to say a word.

Dr. YOUNG. Length of stay has certainly diminished on the average for Medicare beneficiaries very dramatically. The question is what is the impact of that diminished length of stay on the quality of care and the outcome for the patient. That is an area that needs additional research and monitoring.

The mere fact that patients are sicker when they leave the hospital if they leave 1 day earlier, and they probably will be leaving sooner, doesn't necessarily mean that there is an adverse impact, but it could mean that there is an adverse impact. That will require looking at patients that go to nursing homes, leave nursing homes and go to home health agencies, or go home without any services. We will need to attempt to measure the impact of being sicker.

Dr. ALTMAN. I should say, Mr. Chairman, that the Commission itself is very concerned about that. We have several members of the Commission who have put that as their No. 1 priority. They are not going to let us, and I am not going to let us either, go through this year without keeping a good track on that.

I say that, but I also need to qualify it. It is a tricky area. But you can be assured that this is not an area that we are just going to push under the rug.

Senator WEICKER. I have no further questions.

Senator Andrews.

Senator ANDREWS. I have no questions.

Senator Proxmire.

GSA BUDGET REVIEW

Senator PROXMIRE. Dr. Altman, has your budget ever been reviewed by GSA's budget staff?

Dr. Altman. Yes, sir; as a matter of fact, GSA actually does our budgeting for us, and we send all of our requests through them.

Senator Proxmire. This has their approval?

Dr. Altman. Yes, sir.

Senator Proxmire. You say that about $347,000 will be available as anticipated carryover by the end of the current year. Is this because you have overestimated expenses for fiscal year 1985?

Dr. Young. No; we had carryover authority in the first year. We do not have carryover authority for the current year's budget. In our first startup year, we made an estimate at the time of the hearings last April, about 1 month after I had been hired, as to what the anticipated carryover would be of our first year funds.

Our first year appropriation was $1.5 million, and we estimated that we would carry over about $700,000 of that. Because of uncertainties in the appropriations process, however, we were unable to initiate hiring of staff as quickly as we thought we would and to expend money on staff. It turns out that the carryover, then, was slightly over $1 million for that first year as opposed to $700,000. Since that money was carried over the first year, we are carrying it over the second year as well, and that is where the extra $300,000 comes from—not from this current year's expenditures, but from the first year.

Senator Proxmire. Carry over from the first year.

Dr. Altman. That is right.

Senator Proxmire. The first year was 1984?

Dr. Young. The first year was 1984.

PERSONAL COMPUTER AND TRAVEL BUDGET

Senator Proxmire. I notice on page 4 of the justifications that $100,000 is budgeted this year for the purchase of personal computers. It seems rather high. How many personal computers are we talking about?

Dr. Young. We, to date, have acquired 13, and that includes not only the computers, but the printers, and the software with them. We will be acquiring an additional six or seven.

Senator Proxmire. Why is that necessary?

Dr. Young. The computers have greatly increased our efficiency and cut down on the need for clerical help and assistance. We use them for typing of papers, and we generate a large number of papers. We also use them extensively for a large number of activities that involve quantitative analysis and data manipulation.

We produced a report in 1 year from startup. We would not have been able to do that without automation. We use it for correspondence control, for our work planning and for analytic projects. We will be putting our budget material on the personal computers as well.

We also have mainframe computer support through the House Information System. We download from the mainframe computer to our personal computers for our quantitative analysis of a very large data base.

Senator PROXMIRE. The largest percentage increase proposed this year comes under travel and transportation of persons. That would rise from an estimated $80,000 during the current year to $115,000 in fiscal year 1986. Why is that?

Dr. YOUNG. Two parts. The major portion was that the Commission has been a very hard-working group with a number of Commission meetings and subcommittee meetings. We have anticipated that an increased number will continue.

In our first year budget, we had not budgeted for as many meetings as we have had. We now have three subcommittees and the full Commission. So the majority of that expenditure is for the Commissioner travel and meetings of the Commission.

ANNUAL REPORT EXPENSES

Senator PROXMIRE. How were you able to meet the April 1 deadline? Did you have to rely on any outside consultants or computer services to meet the deadline, if so, what were those costs?

Dr. YOUNG. The major bulk of the work was done by the full-time staff on hand. We did, however, arrange for outside help and support through the Office of Technology Assessment. They helped us with part of the layout for the report. They helped to facilitate getting it published by the Government Printing Office. So we did contract with them for those support services.

Senator PROXMIRE. What were the actual costs?

Dr. YOUNG. The fee for the Office of Technology Assessment was about $7,000. The Government Printing Office bill we have not received yet, but we anticipate that it will be in the range of $16,000 to $18,000 for the printing of the report. Then we had some additional consultants who helped us with copy editing, and other things.

OTHER SERVICES AND RESEARCH BUDGET

Senator PROXMIRE. I notice you were able to reduce next year's budget for other services. The $1.3 million estimated for current year under this object classification is the largest item in the budget. That is, of course, a catchall, so it is hard to see what it is, and it is the biggest item. What is included under other services, and how do you propose to reduce it next year?

Dr. YOUNG. Part of the reason for the change this year in other contracts is that we had placed some of those services in the object classification that dealt with salaries. In order to acquire other services, we need a contracting function to do it, and we were advised by GSA that the way to handle that is to put it in other services.

One million dollars fits there, representing the major research activities that we talked about, and that is by far the largest item.

Senator PROXMIRE. What is that?

Dr. YOUNG. The research and studies. We discussed the research program looking at a variety of topics related to our mandate to update the prospective payment system.

Senator **Proxmire**. Why should that be categorized as research and studies rather than other, when this is so vague.

Dr. **Young**. The subcategory is research and policy studies under other. The other refers to the mechanism, which is a contracting or grantmaking mechanism, but it is a separate line item. In our budget, it is separated from the administrative dollars.

Senator **Proxmire**. What else do you have under that?

Dr. **Young**. Additional items under other include the GSA charge for our administrative work, such as accounting and bookkeeping, and that is $52,000 estimated for next year. Then there will also be additional commercial contracts in that category which we will have reason to engage in.

Senator **Proxmire**. Thank you, Mr. Chairman.

Senator **Weicker**. Thank you.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

We will have further questions for response to the record, and I thank you very much.

Dr. **Altman**. Thank you, sir.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Legislative Mandate

Senator Weicker: Can an agency of your size and budget conduct the House-mandated study and still do a creditable job on your legislative mandate?

Dr. Altman: Much of the work which ProPAC must do to meet its legislative mandate in Pub. L. 98-21 will also assist in measuring and analyzing the impact of PPS on the health care system, as required by the House-mandated study. In addition, a major part of this effort will be to examine and synthesize PPS research being done by other Federal and non-Federal organizations. Thus we do not believe that the development of the House-mandated Report will compromise our ability to maintain our primary commitment to the development of our other statutorily required work.

Avoiding Duplication of Effort

Senator Weicker: There are at least three agencies within the Federal Government doing research in the area of health costs containment and technology, and practice pattern assessment. How can you assure that your analysis and research will not duplicate the work of others?

Dr. Altman: ProPAC has taken great care to inform itself about PPS research and studies which have been undertaken by other Federal and non-Federal agencies and organizations. A compilation of these studies is part of our April Report Technical Appendixes. In addition to the list, we are developing in our staff offices a computerized file with a complete abstract on each study underway or planned by other groups. A staff member is assigned to keep this abstract and the entire data file up-to-date by staying in touch with appropriate contact people in each organization. Because our staff and our research budget are limited, we believe it is critical for us to use the data and information generated by others before committing any ProPAC resources to areas that would duplicate the work of others.

Senator Weicker: Have you coordinated your activities with these other agencies?

Dr. Altman: Yes. In developing the abstracts and listing other studies we have developed liaison with all of the groups which we know about which have PPS studies underway. In addition, ProPAC senior staff has had formal meetings with staff in agencies and organizations with the largest commitment to such work. Some of the most important of these include the Health Care Financing Administration, DHHS Assistant Secretary for Health, National Center for Health Services Research and Technology Assessment, Food and Drug Administration, American Hospital Association, and Health Industry Manufacturers Association.

Senator Weicker: Can this coordination and cooperation be improved?

Dr. Altman: We will continue our close contact and cooperation with all of the groups mentioned above and with all organizations which undertake PPS studies.

Data Development, Analysis and Research Budget

Senator Weicker: You are requesting a budget for analysis and research of $1.0 million in FY 1986. How do you plan to spend this money, and is it sufficient to meet your legislative mandate?

Dr. Altman: We have provided below the Data Development, Analysis and Research Agenda for ProPAC for the next 12-18 months. We believe that this amount of money is sufficient as we begin our second full year of operation.

Senator Weicker: How have you used the $1 million appropriated in the analysis and research category for the present fiscal year?

Dr. Altman: The Agenda shown below explains our planned projects for this fiscal year and next fiscal year. In many cases, we will be getting projects started this year that will continue next year -- often by doing developmental or feasibility studies this year and then following those with detailed data collection and analysis activities next year. The major expenditures in the present fiscal year budget will be for work in the areas of definition of labor market areas, quality of care, in-depth reviews of changing and new technologies, and computer support of staff reviews of various important issues such as disproportionate share hospital analysis, transition to national PPS rates, and effects of recalibration of the DRG weights.

The Data Development, Analysis, and Research Agenda for the Prospective Payment Assessment Commission has been developed by the Commissioners and the staff and will be formally approved by the Commission at its July meeting. The current agenda for Fiscal years 1985 and 1986 follows.

Effects of PPS on Health Care System

1. Analysis of the effects of the wage index adjustment, specifically:
    - the effects on urban vs. rural hospitals
    - inner city vs. suburban areas within MSAs
    - rural hospitals within a state
2. Analysis of the effects of DRG compression, with particular attention to compression due to per-diem nursing cost allocation methods.
3. Measuring changes in quality of care and health outcomes resulting from PPS.
    - develop measurement tools
    - develop strategies for using PRO data
4. Measuring changes in productivity and changes in the hospital product.

5. Analysis of the effects of PPS on technology.

   - effects on the pace of adoption by hospitals
   - effects on the types of technology investments
   - effects on the level of investments in the technology industry

6. Hospital market basket studies indentified in April report.

   - Effects, under PPS, of minimum wage law
   - Effects of market basket forecast errors
   - Employment Cost Index feasibility study

7. Effects of using the current DRG classification to measure case mix in patient care.

8. The impact of PPS on geographic variations in practice patterns.

9. The effects of PPS on hospital closure and beneficiary access to hospital services.

Implementation of PPS

1. Definition of hospital labor market areas.

   - requires major data acquisition and modeling

2. Methods for adjusting DRG weights for variation in nursing intensity.

3. Development of empirical support for the update factor.

   - assessment of existing evidence
   - develop long-term strategies for updating standardized amounts

4. Rebasing the standardized amounts.

   - develop strategies for using cost data from all hospitals, or a sample of hospitals, for updating the standardized amounts

5. Examination of generic DRG pricing issues, or problems, for new and/or changing technologies.

6. Methods of evaluating alternative patient classification systems for measuring patient case mix.

   - determine if departure from current DRG structure is desirable
   - severity classification systems
   - procedure vs. diagnosis-based systems

Major Current Intramural Projects:

Transition to National Rates
Disproportionate Share Hospitals
Recalibration and Normalization
Patient Classification Systems

Nursing Intensity Study

Senator Weicker: I understand that you have requested HCFA to conduct a study of the intensity of nursing in patient care. What do you envision for that study, and how do you see it impacting on DRG regulation?

Dr. Altman: Chapter 4 of the Commission's April 1985 Report to the Secretary of Health and Human Services was devoted to a discussion of PPS problems and concerns which must be addressed in further studies. One area addressed in this section of the Report noted that the methods used to allocate nursing costs in the prospective payment system assumes that every patient uses the same amount of nursing resources per day, regardless of the patient's clinical condition and need for nursing care. The Commission has examined evidence suggesting that this method may have introduced significant inaccurancies in the DRG weights. After identifying this problem, the Commission noted that it will further analyze this issue in some detail. In fact, one of the first tasks under our major data development, analysis and research contract is in this area.

Because the Commission considers this subject an extremely important one, ProPAC went on to suggest in the Report that the Department of Health and Human Services should also examine the topic. This suggestion did not take the form of a formal recommendation to the Secretary. In fact, the Secretary had initiated work in this area, some of which is scheduled to be completed shortly. The Commission will continue to coordinate its own study in this area with the Department in analysis of this important issue.

Future Subjects of Concentration

Senator Weicker: What subjects will ProPAC be concentrating its efforts on in FY 1986?

Dr. Altman: Our highest priority will be to continue to develop recommendations which maintain and update the prospective payment system, as specified in Pub. L. 98-21. More specifically, we detailed in Chapter 4 of our April 1985 Report a series of issues which we felt needed further consideration and serious review. These areas include improving the measurement of case mix and the calculation of payment amounts, and a series of other issues such as measuring quality of care, disproportionate share hospitals, hospital market area definitions, and the transition of PPS to national rates.

Success of Prospective Payment System

Senator Weicker: Has the Prospective Payment System been successful thus far?

Dr. Altman: The Prospective Payment Assessment Commission has not formally given PPS a "report card," but it has noted that preliminary evidence suggests that hospitals are responding to PPS incentives. Generally, the system appears to be working well without any major disruptions in service to Medicare beneficiaries.

Prospective Payment System Problems

Senator Weicker: Has the Commission identified problems with this new system, and if so, what are they? What are your recommendations for correction?

Dr. Altman: The major problems identified by the Commission with the PPS are the subject of recommendations in our April 1985 Report, already submitted for the record of the hearing. Briefly, these recommendations deal with suggested changes in the market basket used to measure inflation in the goods and services purchased by hospitals; with improvement of hospital market areas; with inclusion of a special adjustment for hospitals which serve a disproportionate share of low income and elderly people; and with several specific DRG classifications and weights. In addition to the areas described in our recommendations, the material in Chapter 4 of the report, already mentioned above, describes a number of problem areas which the Commission will be reviewing. Recommendations will be provided to address these problems when we have collected and analyzed appropriate data and have developed appropriate solutions.

Public Comment Opportunities

Senator Weicker: I understand that concerns have been raised about the adequacy of public comment opportunities at ProPAC. What specific actions are you taking to allow public comment periods prior to Commission decisions and to share with the public some of the data and methodologies underlying major staff proposals? When will those guidelines be completed? Will you permit public comment on those?

Dr. Altman: Some months ago, we made certain changes in the format of our meetings to allow public comment on recommendations and issues under discussion. In addition, the Commission has asked that the staff develop a new set of policies and procedures which allow for greater public access to documents used by the Commission and more opportunity for public comment. These issues will be discussed at the next Commission meeting, scheduled for July.

Question Submitted by Senator Daniel K. Inouye

Formal Nursing Liaison

Senator Inouye: I have been concerned that your Commission has not been giving sufficient priority to ensuring that you will have formal nursing input into your deliberations. Would you please provide the Committee with a report on the extent to which you have specifically addressed this issue.

Dr. Altman: A high priority has been placed on developing and maintaining liaison with all of the national groups representing nursing. One of the first staff members hired by the Commission has the responsibility for working with the nursing groups and meets with these organizations on a regular basis. This staff member is herself a nurse with several advanced degrees and a number of years of experience working for and with national nursing organizations. Perhaps the best indication of the Commission's concern in this area is the priority which it has placed on the study of whether the intensity of nursing services is appropriately reflected in the DRG weights used by PPS.

RAILROAD RETIREMENT BOARD

STATEMENT OF ROBERT A. GIELOW, CHAIRMAN, U.S. RAILROAD RETIREMENT BOARD

ACCOMPANIED BY:

C.J. CHAMBERLAIN, LABOR MEMBER
EARL OLIVER, MANAGEMENT MEMBER
RICHARD ALTMANN, EXECUTIVE DIRECTOR

INTRODUCTION OF ASSOCIATES

Senator WEICKER. The next agency to testify this morning is the Railroad Retirement Board. Representing the Board are Mr. Robert Gielow, the Chairman, and Mr. Earl Oliver, management member.

Why don't you proceed and introduce your colleagues.

Mr. GIELOW. I am Robert Gielow. I am joined by Chuck Chamberlain, the rail labor representative, and Earl Oliver, the rail management representative. I have also asked Dick Altmann, who is our new Executive Director, to join us here.

We have submitted our statement, and each would like to make a brief summary and expand a little bit on some of the items in the formal statements, if that is permissible with you, sir.

Senator WEICKER. Surely.

CHAIRMAN'S OPENING REMARKS

Mr. GIELOW. This is the third appearance that I have made before you as the Chairman of the Railroad Retirement Board. Coming to a Government agency from a private industry has been a major experience for me. I have learned that the Railroad Retirement Board is a unique agency within the Government organization.

I don't believe its uniqueness is generally recognized as positively as it probably should be. The management of the Board, residing in the three members, is unusual in both the strength and the diversity of the members' views and their experience.

As I have said, representing rail labor is Chuck Chamberlain who is one of the most widely respected leaders in the rail industry. Among various positions that Mr. Chamberlain has held, is president of the Brotherhood of Railway Signalmen, and for 7 years he was chairman of the Railroad Labor Executives Association, which is the senior coordinating and policymaking body for all railroad workers.

Representing rail management, Earl Oliver is a former senior vice president for personnel and administration of Illinois Central Gulf Railroad. Earl also was active in industrywide committees and had a broad career in rail management.

These gentlemen are strong advocates on behalf of the constituencies they represent, and also in the wealth of knowledge they bring, as well as tensions that are created. These tensions, I venture, are not duplicated in any other Government agency.

I joined the Board after a career in the insurance industry spanning over 40 years, sales and management positions, balancing sales and service with cost controls and profit. If you eliminate the profit, my role at the Railroad Retirement Board is not too different from that in the private industry.

In January of this year, we made a major upgrading in our management group, and after an exhaustive search, appointed Richard Altmann as our Executive Director. Mr. Altmann had a 34-year naval career, ranging from an aircraft carrier fighter pilot to a position in the General Planning and Programming Division of the Office of Chief of Naval Operations.

Retiring in 1976 as a rear admiral, Mr. Altmann became the president of the American Institute of Steel Construction for 5 years. There, he initiated the successful installation of an automated data processing system along with many other management improvements.

I briefly emphasize the depth of this managerial experience, as well as the strength of the constituency representatives, to say that these have had a major effect on our budget and our budget planning. As you know, we are in the middle of a major automation effort. We have very successfully installed a network of 38 remote terminals in our major offices, and we will install 37 more during the coming months.

AUTOMATION PROJECTS

We have fallen behind in our schedule for installation of our automated management information system, both in time and cost schedules. However, we are on schedule with our automated retirement claims processing system.

One of the things that we have learned out of the delay in our management information system is that you have to take many of your best people from your data processing bureau, as well as your other operating bureaus, and allocate their full time to the management of creating these systems. As a result, we now have 33 full-time Board employees assigned to the retirement claims automation system, and 27 full-time Board employees assigned to the management information system.

We are appropriating millions of dollars for automated systems, and you have to find the qualified people who can work with the outside contractors to successfully create and install these systems. We believe that we are on top of the installations at this time, but we cannot sacrifice people or funds at this crucial juncture.

FISCAL YEAR 1985 RESCISSION/DEFERRAL

The other point of management I want to raise is the rescission of $3.6 million in 1985 due to the underspending of funds in 1983 and 1984.

Senator **WEICKER**. That has expired, if I am not mistaken. The rescission has expired.

Mr. **GIELOW**. I was not aware of that.

Mr. **OLIVER**. Actually, it is not a rescission, it is now a deferral. OMB has found a way to keep the money from us without a rescission.

Mr. **GIELOW**. I come from private industry where profit is created by reducing your overhead in exactly the same way that it is created by increasing your income. The principle of a deferral or rescission in reducing your budget in 1985, when you have undertaken many new projects and contracts completely unrelated to 1983 and 1984 budgets, does not make a lot of sense to me.

We are good stewards, and we do not and have not spent tax moneys or trust funds unnecessarily. I have gone on record with the President's private sector committee as to the major reductions in personnel that will be possible through the installation of the data processing systems that we are authorized to install. However, if because of budgetary constraints, we sacrifice our ability and talent to manage these projects, we will at the same time fall further behind in the processing of our regular work and it will also inevitably postpone the day when these savings from automation can be realized.

Thank you. Mr. Chamberlain would like to make a brief statement.

LABOR MEMBER'S OPENING REMARKS

Mr. **CHAMBERLAIN**. Thank you, Mr. Chairman.

Certainly, it is a pleasure to appear before you and the members of your committee.

As you know, just 2 short years ago, our agency's trust fund faced the most severe financial crisis in its history, and through the concern and support of this and other congressional committees, and the combined efforts of rail labor and management, legislation to ensure the solvency of the Railroad Retirement System overwhelmingly passed both Houses of Congress.

The Railroad Retirement Solvency Act of 1983 was enacted to restore our system solvency through a combination of major benefit adjustments, substantial tax increases, and a benefit takeback in the last two cost-of-living increases. Everyone involved in the system, employers, employees, and retirees, did their part and acted in a most responsible manner, making major financial sacrifices in order to protect the trust fund's ability to pay benefits in the future.

Today the railroad retirement trust fund is solvent and is able to support all benefit payments provided by current law. In reviewing the budget for the agency, it must be recognized that the railroad retirement trust fund, like the Social Security trust fund, plays no part in the overall Federal deficit problem.

As the Solvency Act has accomplished its purpose, it is our hope that no new proposals to further tax and reduce the benefits of those who have already sacrificed so much to preserve their system will be introduced.

The Railroad Retirement Board fully recognizes its responsibility to our system, and we strive to continue our record of providing good service to our constituents at minimal administrative cost.

While our retirement system no longer must react to an impending crisis, this does not mean that we are not concerned with improving the financial health of the trust fund through improvements in our operating efficiency. In an effort to reduce administrative costs, improve service, and provide long-term gain to the trust fund in terms of payment accuracy, the Board has undertaken its most ambitious automation project to date.

Also, through significant improvements in our cash management operation, and the strengthening of our internal audit and investigation staff, we are continuing to address the concern of Congress and the administration in preventing waste, fraud, and abuse, and improving our record with regard to debt collection.

The Board will continue to evaluate the personnel needs and our administrative structure to ensure that our resources are utilized as effectively as possible. However, it should be recognized that we have already made a substantial commitment in terms of our present personnel resources during the next few years. Any extreme reduction of our agency's personnel ceiling at this time or implementation of other proposals which may significantly change the operations of the Board will have serious impact on the agency's ability to provide the service our constituents expect and support through the direct payment of their tax dollars.

BOARD'S ANNIVERSARY

Mr. Chairman, this year marks the 50th anniversary of the Retirement Act of 1935, established at a time of national crisis, and periodically challenged during the last five decades, the Railroad Retirement System has nonetheless continued to serve railroad employees and their families through programs affording protection against the economic hazards of old age, disability, and unemployment, and sickness. We will continue to do so in future decades.

During the past 50 years, benefits of $77 billion have been paid by the Board to 1,600,000 retired employees, 800,000 spouses, and 2 million survivors. Unemployment and sickness benefits have totaled almost $6 billion. In 1985, nearly 1 million beneficiaries will receive retirement and survivor benefits of approximately $6 billion, and about 135,000 persons will receive unemployment and sickness benefits of $200 million.

Quite simply, the Railroad Retirement System is a good, well established system, with good benefits, and it must be protected and preserved. We would like to thank you and this committee for your past support, and we certainly look forward to working with you in the future toward making the Railroad Retirement Board a model of efficiency and service to Government.

Senator WEICKER. Thank you.

PREPARED STATEMENTS

Mr. OLIVER. Mr. Chairman, if you will receive, for the record, my lengthy prepared statement, and that of Mr. Gielow, I will be brief.

[The statements follow:]

STATEMENT OF EARL OLIVER

In compliance with the requirements of Public Law 98-76, the Board submitted to the Congress its budget request for FY 1986 at the same time--August 30, 1984--it sent its request to OMB. (See Attachment A.) It requested for administration of the Railroad Retirement Act and the Railroad Unemployment Insurance Act $86.5 million and 1,662 full-time equivalent (FTE) employees.

The Board suggested its real need is $91.7 million and 1,780 employees in order to provide

> "substantial improvements in program integrity; badly needed audits, such as of our financial statements (which have never been audited) and of internal controls; automated office equipment over and beyond that required for our main automation project; placement of unemployed railroaders; and improved service to our public."

It said that under no circumstances should the current staffing level (1,578 FTE) be reduced.

According to the administration's 1986 budget, OMB plans for us next year 1,420 employees (FTE) and $64 million, a 10 per cent reduction from this year. Additionally, OMB has proposed to the Congress 1985 rescissions of $3.6 million.

* * *

The Congress in each of the past three years has prevented OMB from reducing the agency's staffing below 1,578 FTE. For example, P.L. 98-619 passed by the Congress and signed by the President provided from the railroad retirement account in 1985 funds for administration of the Railroad Retirement Act, with a proviso

> ". . . That such portion of the foregoing amount as may be necessary shall be available for the payment of personnel compensation and benefits for not less than 1,180 full-time equivalent employees"

and from the railroad unemployment insurance account in 1985 funds for administration of the Railroad Unemployment Insurance Act, with a proviso

> ". . . That such portion of the foregoing amount as may be necessary shall be available for the payment of personnel compensation and benefits for not less than 398 full-time equivalent employees."

* * *

In its report on our 1985 appropriation, the House appropriations committee criticized the Board's administration of the Railroad Unemployment Insurance Act. It said,

> "It has been brought to the attention of the Committee that there are serious problems with waste, fraud and abuse in the Board's unemployment and sickness insurance program. A General Accounting Office study has observed that, among other things, railroad retirement district offices do not routinely contact a claimant's last employer to verify unemployment; individuals could complete and submit an SI application and statement of sickness and file claim forms, without being off from work or visiting a physician; and claims examiners do not always contact the employer to verify that the claimant is not working. Also, the GAO found that claims examiners do not contact the physician identified on the statement of sickness to verify that he/she is a bona fide medical provider who actually saw the claimant. GAO also indicated that the district offices of the Board only do employment checks as time permits.
>
> "The Committee views these practices by the Board with serious concern. Accordingly, the Board is directed to address this issue at once and report back to the Committee on its progress prior to the FY 1986 hearings on the steps taken to correct the problems addressed by GAO."

The Board responded in letters of November 6, 1984 and March 18, 1985. In the first of the two letters (Attachment B), the Board quoted with approval a statement of the Railroad Unemployment Compensation Committee that "there is need for more thorough monitoring of the accuracy of the claims-handling process than is now possible because of personnel and budgetary limitations imposed upon the Railroad Retirement Board" and added,

> "Staffing constraints imposed upon the Board in recent years have contributed to the problem of assuring that benefits are paid only to eligible railroad employees. At the same time, despite those constraints the Board has been assigned the responsibility for administering other new benefit programs for railroad employees but has not been authorized to acquire the necessary staff. As a result, the effective administration of the Railroad Unemployment Insurance Act has suffered." (Emphasis supplied.)

For FY 1985, the Congress authorized 398 employees to administer RUIA. For 1986, OMB proposes to cut us to 216, a 46 per cent reduction.

We said we couldn't do the job with 398. With 216, we'll fall flat on our faces. We need at least 600 employees to do a good job of administering RUIA with a minimum of error, abuse, and fraud.

* * *

At last year's House hearing, Congressman Porter said,

> "I want to address Mr. Oliver's testimony regarding fraud and the lack of resources to follow up on fraud.
>
> "I think if anyone reads that part of his testimony, they are going to be possibly shocked by the extent to which fraud exists and the extent to which it is not being addressed."

There ensued discussion between Mr. Porter and Messrs. Gielow, Oczkowski, and Kaufman (the last two, RRB bureau heads) and me. Toward the conclusion of the discussion, Mr. Porter said,

> " . . . what you really ought to do is to come to us with a proposal for maybe one hundred new employees, not just attach it where they are, but put them in some kind of special task force so that we can track their success record accurately and let us fund those with the understanding that you are going to give us back at least what they are costing and hopefully two to three or even more times that amount. It seems to me that if you took that direction, the money will be very well spent by Congress and that it would tighten up the program immensely.
>
> "It looks to us like the program is being ripped off at every one of the agencies and something has to be done about it."

I suggested as an alternative to a special task force use of experienced people in the field who could start the work right away if less experienced people were hired to replace them. Mr. Porter responded,

> "Could you organize them in such a way that they are given sort of a specific mandate and a timetable and a plan to come back to the Congress and say, 'Look at what we have done to solve these problems'?
>
> "I would appreciate it if you could pull together a proposal before we get to markup."

Mr. Gielow replied, "We will do that."

Subsequently, Mr. Porter suggested submitting alternative proposals. The Board assigned its Director of Audit and Investigation to--and he did--develop them. My associates submitted the lesser of two proposals developed. In my letter of May 18, 1984, to Representative Porter, with copies to Chairman Natcher and ranking Minority Member Conte, I said,

> "Attached are two proposals that were developed--one for dedication of 25, and the other 70, additional employees to combat fraud in our two major programs. According to the cover letter, also attached, the first proposal would cost $.9 million and produce recoverables of $2.8 million while the second would cost $2.2 million and produce recoverables of $7 million. The letter says, 'In both proposals, we were intentionally conservative in estimating the overall savings or recoverables.'
>
> "I had hoped there would be a third proposal--for 150 to 200 additional employees, for I am convinced from my seven years' experience with the Board they would much more than pay their way. However, inasmuch as no proposal for more than 70 was developed, I recommend that the committee add to our present 1,578 employees 70 employees dedicated exclusively to searching out and combating fraud and abuse.
>
> "My associates are recommending the smaller number rather than the larger. Representing as I do the sole taxpayer into the unemployment and sickness insurance fund and the major taxpayer into the railroad retirement funds, I am interested in getting as quickly as we can as large a return as we can in combating fraud. Our Director of Audit and Investigation has outlined how we can effectively and productively put to immediate use the 70 additional employees recommended."

Unfortunately, both proposals got lost in the flurry of putting together an appropriations package. Had we been given the 70 additional employees requested, we would have spent $2.2 million to save the funds we administer a total $7 million, conservatively estimated. (See Attachment C.)

* * *

Both labor and management, which provide the resources the Board uses for administration of RRA and RUIA support the Board in its request for appropriation from the funds we administer of enough money (and provision of enough staff) to administer the funds effectively, efficiently, and with a minimum of error, fraud, and abuse.

I quoted two pages earlier from the Report of the Railroad Unemployment Compensation Committee established by the Congress, a committee consisting of two members from management, two members from labor, and a fifth, a distinguished public servant, Dr. Robert J. Myers. The committee unanimously recommended (1) that the Board request of the Congress the resources it needs to perform its jobs and (2) that the Congress authorize what the Board requests.

Labor and Management testified to much the same affect last month. The Subcommittee on Commerce, Transportation and Tourism of the House Committee on Energy and Commerce had a hearing in March on OMB's railroad retirement legislative proposals as reflected in the administration's budget. Although all concerned recognized that Appropriations rather than Commerce has jurisdiction of RRB's appropriation, both the labor and management witnesses did advert to OMB's proposals to cut RRB administrative dollars and staff.

Ole M. Berge, chairman of the Railway Labor Executives' Association and spokesman for railway labor, responded to a question by Congressman Dowdy as to whether present service levels can be maintained if OMB's proposal to cut RRB staff another 10 per cent is adopted. Mr. Berge replied,

> "I don't believe that, if the reduction proposed by the Administration was effected, that we could continue the type of service that the beneficiaries have been expecting and have been receiving. I think [with] the status quo with respect to numbers, even though there is additional work given to the Retirement Board to administer certain other programs, that we could continue the service. But, as far as labor is concerned, it would be very difficult to continue that service if there is any reduction in personnel." (Emphasis supplied.)

William H. Dempsey, President of the Association of American Railroads and spokesman for management, testified:

> "Finally, there is the matter of reduction of employees for the Railroad Retirement Board that Congressman Dowdy raised. There would be a 10 per cent reduction in the budget, according to our information.
>
> "We oppose that. I may say that this, again, is money that we supplied.
>
> "We pay the management, the carriers pay the administrative costs of the railroad retirement system. Accordingly, if there were any savings here, they would inure to our benefit. We think this is a self-defeating kind of proposal. The RRB is charged with administering the Act in an efficient way.
>
> "If we were running the program, we would not make these reductions because we think it would lead to inefficiency and greater costs. I may say that, I believe, is reflected in the recommendations of the Unemployment Committee.
>
> "If I may just quote a few passages from the report of the Committee. . . .:
>
> '. . . there is need for more thorough monitoring of the accuracy of the claims-handling process than is now possible because of personnel and budgetary limitations imposed upon the Railroad Retirement Board. The Committee urges the Board to request the funds and personnel needed for fair and effective administration of the RUI program, while recognizing that there is a limit beyond which further increases in administrative personnel and costs may not be cost-effective. . . .'
>
> "It also recommended to the Congress that it favorably consider such requests.
>
> "That reflects accurately our position on behalf of the industry."

Neither management nor labor approves the frittering away of their tax dollars by OMB-compelled inattention to the Board's very real and pervasive problems of error, abuse, and fraud.

* * *

Attachment D reflects the reductions in RRB employment ceilings since 1976. (It does not reflect the loss of employees from the U&SI program to Title VII and similar activities.) OMB cut us from 1,975 employees nine years ago to 1,578 three years ago--20 per cent. It intended to have us down to 1,100 by this time. Beginning with FY 1983, however, the Congress said "No" to further cuts.

We would be completely paralyzed if it hadn't.

* * *

When you are dealing with $7 billion--$7 thousand million--, the $2.7 million the Board needs for a staff of 1,662 rather than 1,578 would appear to shrink into insignificance. The $7.9 million the Board needs for a staff of 1,780 rather than 1,578 would likewise appear relatively insignificant. Either amount is, in fact, quite significant, for with 1,578 we cannot pay benefits accurately and timely with a minimum of fraud, error, and abuse, whereas raising staff to 1,662--or better yet, to 1,780--will give us a fighting chance to administer the funds effectively and efficiently. Assigning the Board the authority to use the resources it deems necessary to do a good job of disbursing $7 billion is preferable to imposing a limitation that is sure to produce a poor job.

* * *

The committee established by last year's Railroad Retirement Solvency Act to study all aspects of RUI made its report to the Congress June 29, 1984. The committee is recommending continuation of RUI but with major changes, including a tightening up of the Board's U&SI claims-handling procedures, that, if approved by the Congress, will require many more employees than the agency has presently.

RUCC recommendation 14 follows:

> "The base-year employer of a benefit claimant should be notified of the claim and should have the right to contest the claim, including the right to participate in hearings and appeals and to appeal the grant of a claim, both within the Board and to the courts, but without preventing timely payment of benefits prior to disposition of an appeal."

This recommendation, would give the employer voice. The employer pays the bill but presently has no right to know or right to question how we are using the money he pays. Recommendation 14 would give the employer the same right to know, to be heard, and to appeal that the employee always has had. It would give the railroad employer the same rights with respect to UI that the non-railroad employer has under the federal/state systems. The change is long overdue.

However, providing the employer these rights will add greatly to the work of the field offices and, to a lesser extent, headquarters. Among other things, the field offices will have to keep much better records than they presently keep to support payment of claims.

RUCC recommendation 4 follows:

> "The RUI tax rate should be experience-rated for each employer, beginning in 1990 (or, if feasible, at an earlier date--on a full or partial basis)."

Under the law as presently written, all railroads pay the same UI tax rate regardless of their unemployment experience and their personnel practices. There is little incentive in the RUI system for a railroad to assist the Board in ferreting out error, abuse, and fraud, and there is little incentive in the RUI system for a railroad to adopt personnel practices that will stabilize employment. Adoption of consensus recommendation 4 will provide a strong incentive to follow good personnel practices in the use of the work force and, incidentally, to cooperate with the Board in making sure that UI benefits not payable are not paid. Experience rating will encourage railroads to avoid frequent lay-offs and call-backs but, coupled with right of voice, will increase our work: it will bring the railroads knocking at the Board's door to contest doubtful payments--brand new work for the Board.

RUCC supplemental recommendation 3 (pp. 2-9/10 of the RUCC report) is for "more thorough monitoring of the accuracy of the claims-handling process than is now possible because of personnel and budgetary limitations imposed upon the Railroad Retirement Board." In addition to recommending to the Board that it request of you the funds and personnel needed for fair and effective administration and recommending to you that you favorably consider the Board's requests, the Committee urges the Board to work with GAO to effectuate GAO recommendations for improved administrative processes. A minority of the committee recommended that the Congress direct GAO to study the quality of the Board's decision-making as well. The report states:

> "The management members believe that there also is a need for studying the quality of the Board's decision making, and particularly as to whether the substantive provisions of the RUI Act have been interpreted and applied in a manner that comports with the purposes of the Act and the purposes of unemployment and sickness insurance as generally understood. The management members, therefore, urge the Congress to direct the General Accounting Office to study that aspect of the Board's processes as well."

Many other of the RUCC recommendations will require additional resources for the Board, but those discussed will especially require greater resources, particularly for the Board's field service. If we have to start making good, well documented decisions, we'll have to dedicate a lot more staff time to good decision-making.

Work of the Board

The Board's work consists of receiving, investigating, adjudicating, and paying or denying claims for benefits and maintaining/updating the beneficiary rolls. The benefits claimed include age-and-service annuities, spouse and survivor annuities, disability annuities (both total and permanent and occupational), unemployment benefits, and sickness benefits. Except for sickness claims, which are sent direct to the bureau of unemployment and sickness insurance in Chicago, the claims are received in the field.

Retirement-Survivor. Because of the complexities of the Railroad Retirement Act, the applications for retirement and survivor benefits are themselves complex--so complex that it is cheaper and easier for a field representative to develop the information from the applicant and fill out the form for the applicant than to have the applicant do the work himself.

A field representative known as a contact representative does this work at one of the Board's hundred offices or at a so-called itinerant point to which a traveling contact representative goes periodically to receive applications, answer questions, and assist in straightening out beneficiary problems that may have developed. If an applicant or annuitant is incapacitated, the traveling contact representative visits him or her in the latter's residence or hospital.

The contact representative gives the applicant a ball-park estimate of the amount of the annuity but must forward the application papers to the bureau of retirement claims at headquarters for final computation. While a majority of initial computations are handled by computer, these represent only about one-quarter of our award action. Because of the complexities of the law and inadequate ADP hardware and software, the remaining three-quarters of the work must be done manually.

The Board is working toward converting to automatic data processing most of the annuity computation work now done manually. The conversion will permit us in years to come to shift headquarters personnel to other areas of activity, but not until 1988 at the earliest. On the contrary, the conversion work creates a need for additional staff in 1986 and 1987. The Board has committed many of its brightest and best workers to this effort, taxing our ability to maintain former service levels. After conversion is completed and we have direct input into the computer from data processing terminals in field offices, we shall have less work at headquarters but more work in the field.

Disability. A claim for a disability annuity entails additional work both in the field and at headquarters. The contact representative must fill out additional forms, including a lay person's estimate of the alleged disability, must obtain whatever medical proofs the applicant has, and must refer the applicant to local specialists for whatever medical examinations appear indicated. At headquarters, these papers go to the disability section of retirement claims for a decision as to whether the applicant is or is not sufficiently disabled to be entitled to disability benefits, either T&P or occupational, and for a decision as to whether the applicant is entitled to Medicare. If the decision is to award benefits, the file goes next to the division that computes benefits.

Sickness Insurance. Claims for sickness insurance benefits go a quite different route. No Board representative sees the claimant. The claimant fills out a claim form, received previously, and takes it to a doctor--any doctor--to certify illness and to estimate duration. The claim by-passes a field office and is mailed directly to the bureau of unemployment and sickness insurance in Chicago, is quickly reviewed by an examiner to see that the essentials of a claim are present, and goes into the computer, which compares a claimant's name, social security number, and date of birth against wage records previously supplied by employers to determine that the claimant is in fact a railroad employee with appropriate earnings. The computer sets an outside limit on benefits to call the case up for review after a prescribed number of claim periods has passed.

As GAO studies disclosed, our SI program is particularly susceptible to abuse, fraud, and error. We have virtually no safeguards against fraud, abuse, and error.

Unemployment Insurance. Unemployment insurance claims, on the other hand, are adjudicated locally. A claimant submits his initial application and claim to a railroad employee known, for Board purposes, as an unemployment claims agent (UCA). Customarily, the claimant signs with the UCA for UI benefits once a week, but authority is frequently given for bi-weekly signing. Each claim form covers 14 days. The UCA signs the claim form only as a witness of the signature of the claimant. At the end of the 14-day period, the UCA sends the claim to the Board's district office, where a UI clerk reviews the claim for completeness and codes it as to the number of days' benefits claimed. Unless the UI clerk has reason to believe the claim is erroneous or fraudulent--

and the claim forms themselves seldom provide a reason--, the clerk mails the claim form to Chicago for entry of the claim into the computer and for payment. As with SI claims, the computer compares the claim data with wage records to determine that the claimant is a railroad employee with appropriate earnings.

At the direction of headquarters, the field service makes a variety of other investigations--whether an annuitant is dead, whether (in suspicious circumstances) an SI claimant is sick, whether in such circumstances a disability annuitant remains disabled, etc. Additionally, the field service develops data necessary for fraud penalties and fraud prosecutions.

The rest of the work of the Board is ancillary to claims-taking, adjudication, computation, payment or denial, and maintaining/updating beneficiary rolls.

Service

At hearings in previous years I have described at length the deterioration in our service as we have had cuts in personnel and travel. One example. Presently, we have a backlog of retirement adjustments estimated at $22 million to $55 million, and the backlog grows some $7 million a year. It is unconscionable to withhold from beneficiaries millions of dollars to which they are entitled when, with adequate resources we could pay what we owe.

To repeat, it is regrettable to see our 1.4 million clients ill-served when it costs little more to serve them well. The difference between the personnel level we requested and our existing level is only one mill per benefit dollar--$.001 or about one one-tenth of 1 per cent of benefits paid. The small difference means the difference between good service and poor service. The agency has had a tradition of good service until recent years, when there has been deterioration, and I know I speak for the majority of agency employees when I say we should like to revive our tradition of good service.

Quality Assurance

The small difference means also the difference between safeguarding the $7 billion a year in our care and leaving the doors open to all manner of error and abuse. In the past several years, investigations by our field forces, by our own internal auditors, by the General Accounting Office, and by outsiders we have brought in to assist us disclose both great potential for--and much actual--error, abuse, and fraud.

Internal Controls. Our director of audit and investigation reports that we have 33 "material weaknesses" in our internal control systems--three times as many, according to OMB's coordinator on the subject, as any other of the 45 agencies reviewed. We need resources to correct them.

Disability Awards. We are paying $½ billion a year in benefits to persons adjudged disabled. We have a small staff of examiners and thousands of decisions a year. Latest reports are that an examiner spends, on average, 47 minutes reading the file, ascertaining that it contains all evidence needed, digesting and weighing the evidence, reaching a decision, and providing a rationale. A second examiner spends 20 minutes reviewing the first examiner's decision. They spend a total of 67 minutes reaching a decision--9 out of 10 decisions result in an award--to award lifetime benefits--thousands, even hundreds of thousands, of dollars.

The examiner must gather together the medical and vocational evidence, discuss the vocational evidence, if necessary, with persons knowledgeable about the individual occupations, discuss the medical evidence, if necessary, with our physician consultants, make a judgment, and if he/she has time, provide a rationale. In too many cases he/she does not have time to get good information on the claimant's occupation, to assemble all of the medical evidence he/she should have, and to provide a written rationale for the decision to award or deny.

The General Accounting Office audited our procedures and a sampling of decisions and testified about them two or three years ago to a Congressional subcommittee. The witness, associate director of GAO's human resources division, noted, among other things, that less than half of the T&P awards GAO reviewed were "acceptable determinations" and that one-third of the unacceptable determinations were unacceptable, according to GAO, because the applicants were "not disabled." (The remainder were unacceptable because of insufficient evidence.) He noted also that the Board lacks a follow-up program, such as Social Security has, and a quality control system. Projecting from his sample, the associate director estimated the total questionable determinations for the year for T&P alone (most awards are occupational) ranged from $10 million to $15 million. Of course, the adverse effect on the fund is many times that, for an erroneous award, once made, costs the fund money year after year.

We have taken some steps to respond to GAO's criticism, but we still need far greater resources to assure that we pay benefits properly.

Disability Reviews. As GAO noted, we have no systematic follow-up program such as the Congress requires of Social Security. We badly need resources to establish a periodic review of the condition of disability beneficiaries with some possibility of recovery.

Payments to Dead People. As I testified last year, we had the same problems Social Security and the Office of Personnel Management have or had, as reported in the press, of paying continuing benefits to dead people. As a result of the reports about Social Security, we instituted a computer match of our beneficiary records against the Health Care Financing Administration death records. Since the match began in mid-1982 (to update the numbers through 1984), headquarters has referred 2,377 cases to the field for investigation. The field service found alive 507 of the persons HCFA reported dead, verified deaths of 1,489, could not find 28 of the beneficiaries, and is continuing to investigate 353.

In the 2½ years of the death match, the Board discovered it had made over $4 million in payments to 956 of the persons the field service investigations disclosed dead. It recovered almost $3 million from their estates or from persons who received the payments. It instituted recovery procedures for an additional $1 million. It referred to the Secret Service for fraud investigation 23 cases. It expects to recover 98 per cent of the money of which it was defrauded.

The field service investigation entails (1) if the annuitant is alive, making a personal visit with him or her to confirm the HCFA record was in error and (2) if the annuitant is dead, obtaining proof of death, verification of date of death, and a signed statement from the informant as to disposition of outstanding annuity payments. A field investigation takes from as few as two to as many as fifteen or more employee-hours to complete. A typical investigation can be completed in half a day.

Lack of staff is the weak link in the process. Computers call up cases to investigate, but it takes people to conduct thorough and timely investigations. The number of investigations produced by the computer match far exceeds the number of unverified death reports received from all other sources. When an investigation needs to be conducted outside the local area, our representative may need to travel. However, if the individual lives far away, the investigation may be delayed because staffing and travel restrictions do not permit a trip for a single case. Finally, once it is determined the annuitant is dead, we must have staff to collect improper payments and to prepare for the Secret Service records required for its further handling.

The time the field service devotes to death-match investigations pays off, but the investigations are done at the expense of time we could otherwise use for assuring U&SI program integrity.

Monitoring Earnings. We rely on beneficiary earnings reports and computer matching to assure we are not paying benefits to which, by reason of earnings during retirement, the individual is not entitled. Our computer matching program is antiquated and needs rewriting. Since we give a higher priority to making payments than to detecting overpayments and have limited staff, we have suspended work on this program but will resume it when we get the necessary resources. When we suspended the program in 1983, we were still working on reports of 1976 earnings. Since last year we put in effect temporarily a stop-gap program, but it is no substitute for the effective program we shall restore if and when you authorize adequate staff.

Reports of Earnings. As I reported last year, our periodic printed reminders (check stuffers) to beneficiaries to report earnings do not have the impact of letters, tailored to the individual. We discontinued the latter for lack of staff for preliminary analysis, systems design and the handling of inquiries; and even our stuffers are far between: the last one was issued in January, 1981.

The Railroad Retirement Solvency Act of 1983. As I said last year, this legislation, vital to the solvency of the system, requires additional resources. Key people had to be used to implement the changes, with the result they were lost to our on-going operations, including service to our public and safeguarding against error, abuse, and fraud.

One problem is that this legislation made railroad retirement benefits subject to federal income tax. Each annuity portion--tier I, tier II, and the dual benefit--may be considered taxable income; however, different rules apply to each portion. The first task was to create a tax accounting system to record each payment, each adjustment, and each annuity change by tier portion for each of the one million beneficiaries. This was needed to notify beneficiaries and the IRS of amounts paid. A second task was to develop a system for withholding federal income taxes. We had to determine the tier II tax paid by every railroad worker--something not readily available from existing records. We had to provide each annuitant the opportunity to elect withholding. Finally, we had to create a system to withhold the taxes, transfer funds, and notify beneficiaries of the amounts withheld. A third task was to withhold taxes from non-resident aliens. The some eight thousand non-resident beneficiaries posed special problems because we did not have information about citizenship. After gathering this information, we had to develop a withholding system for them that considers various international tax treaties.

All of this was work done at the expense of other important activities--initiatives aimed at improving efficiency, strengthening quality assurance, streamlining work flow, and detecting fraud.

It is the field service, however, that is bearing the greatest burden resulting from the tax changes. Our field offices have been overrun with beneficiaries seeking explanations of how the tax changes affect them and asking help in reporting their taxes. Our field offices try routinely to refer them to IRS offices, but, getting short shrift from IRS, a great many of the beneficiaries turn back to us. The taxing of railroad retirement benefits has added greatly to the work of our field staff and detracted from fraud/abuse/error control.

Comparison of Resources--RRB and SSA. The following updates to 1984 the comparisons I submitted in previous years for FY 1982 and 1983:

- Cost for administration per $100 of benefits: social security $1.25, railroad retirement $.72
- Ratio of administrative costs per $100 of benefits, social security versus railroad retirement: 1.7 to 1
- Administrative costs per year per beneficiary: social security $59.80, railroad retirement $45.31
- Ratio of administrative costs per beneficiary, social security versus railroad retirement: 1.3 to 1
- Ratio of agency employees to beneficiaries: social security 1 to 676, railroad retirement 1 to 842

Railroad retirement suffers by comparison with social security in all these areas. We have a much more complex benefit system than does social security, with more opportunities for error and with more agency-beneficiary contact needed to assure that the beneficiary understands his rights and obligations so as to prevent both forfeiture of benefits and overpayments. Yet our forces are spread thin as compared with social security's: whereas social security has one employee to serve 676 retirement beneficiaries we, with a much more complex system to administer, have one employee to serve 842.

The administration's budget shows a proposed SSA reduction of 1,689 FTE employees next year--a 2.2 per cent reduction. By comparison, OMB proposes to reduce us 10 per cent, putting us in a still worse position, by all measures listed above, than SSA. (It proposes to reduce us an additional 12½ per cent in 1987.) Both railroad labor and railroad management, which pay the costs of RRB's staff, decry the cuts. Moreover, the more OMB cuts RRB staff, the more--several-fold--the funds are depleted by error, abuse, and fraud and the more the federal deficit rises. Accordingly, OMB's efforts respecting us are counter-productive to both the administration's basic philosophy and its deficit-reduction goal.

Unemployment and Sickness Insurance--Fraud and Abuse. As I reported last year, our internal auditors rank our UI and SI application/claims processing systems Nos. 2 and 3 (among the Board's 139 systems identified) in vulnerability to waste, fraud, and abuse.[1]

Since last year's hearing, GAO published its study on improving controls to prevent UI/SI fraud and abuse. We were already aware of most of the weaknesses GAO reported: GAO confirmed what other studies, both internal and external, had disclosed. Here are some of GAO's observations:

- "District offices . . . do not routinely contact a new claimant's last employer to verify unemployment.
- " . . . someone could complete and submit an SI application and statement of sickness, and file claim forms, without being off from work or visiting a physician. . . . Claims examiners do not contact the employers to verify that the claimant is not working. Nor do they ordinarily contact the physician identified on the statement of sickness to verify that he/she is a bona fide medical provider who actually saw the claimant."
- "No wage checks are made on SI claimants."
- "District offices only do employment checks as time permits. They are not a high priority."
- " . . . there is a wide divergence between offices as to the number and type of beneficiaries to be tested and when testing is done."
- "Railroad payroll checks are usually done [if done at all] with only those railroads that have employment data in the district office's area."

Among the controls used by the states that GAO listed are these:

- Employers are informed that an employee has filed claims so employers can challenge improper claims.

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[1] Monitoring of so-called representative payees is ranked No. 1 because it is virtually non-existent: representative payees are persons who act as financial guardians for beneficiaries unable to handle their own affairs.

- Claimants are required to provide identification when applying and filing.
- All beneficiary records are periodically matched against earnings records supplied by all employers--a complete computer match.
- Computer runs are made to determine instances of multiple benefits sent to the same address.
- All changes of address are immediately verified with a computer-processed letter sent to the old address.

GAO noted that the Board's own internal auditors had made a number of these recommendations to do these things as well as a recommendation to require district offices to perform a statistically random sample personal verification review.

It noted that a contractor who studied the Board's U&SI operations likewise had made recommendations, including these:

- Require physician's certification to include diagnosis;
- Require physicians to provide an expected date of return to work;
- Send physicians custom-prepared letters to verify authenticity of sickness claims.

On March 18 last, the Board reported to the House Appropriations Committee, as directed, the steps it has taken or is taking as a result of GAO's recommendations. Its response is Attachment E. The body of the response follows. The underscoring is mine.

> "Recommendation 1: Require unemployment insurance claimants to provide evidence of their identity at the time of their initial application and subsequent claims for benefits.
>
> > "Action: The Board issued instructions to this effect last year to all unemployment claims agents and will repeat these instructions later this year. It will instruct its traveling field representatives to make certain, to the extent they can, that the unemployment claims agents--railroad rather than Board employees--comply with the instructions.
>
> "Recommendation 2: Require doctors to provide some form of additional identification that would not be known to claimants, such as use of the doctor's tax identification number, when they provide medical information.
>
> > "Action: The Board began last month a study on how most effectively and efficiently to do this. It hopes to have an automated system in operation by the end of this year.
>
> "Recommendation 3: Negotiate with state unemployment agencies to implement a systematic procedure for periodic wage checks for all possible beneficiaries.
>
> > "Action: An agreement has been negotiated with Illinois; draft agreements have been exchanged with Indiana, Missouri, Ohio, and Pennsylvania, and negotiations are under way with California and Texas. The Board hopes to have computer matching systems operating for the seven states by September of this year and with three more states by September of next year.
>
> "Recommendation 4: Notify rail employers when a claimant has filed for unemployment or sickness insurance benefits.
>
> > "Action: The Board plans in April to request employer suggestions on how best to do this, in May to begin the computer systems work, and in July to start sending the notices.
>
> "Recommendation 5: Verify changes of address and instances of multiple benefit checks being sent to the same address.

> "Action: The Board *is developing* a computer-produced notice to send to a claimant's former address whenever a new address is given. It commenced the project in February and *hopes* to have it in operation by September."

The Board said it has been slow in implementing GAO's recommendations "because of press of work and a shortage of resources."

Jacobs Study. Knowing the U&SI program had substantial weaknesses in administration--especially in vulnerability to error, fraud, and abuse--, the Board in 1980 contracted with Thomas L. Jacobs Associates to analyze the strengths and weaknesses and devise a plan for correcting the weaknesses. The contractor recommended what became known as the "BUSI Action Plan," which the Bureau of Unemployment and Sickness Insurance enthusiastically endorsed. The chief ingredients of the plan were to restructure the bureau to permit specialization, to provide claims examiners proper training, to simplify and reduce the numbers of forms and improve procedures, to establish a claims control program to identify problem claims, to audit claims payments as well as denials, and to improve quality assurance.

Unfortunately, because of staff reductions and budget limitations, the action plan was put on the back burner except for a few recommendations that could be implemented with a minimum of resources. Our FY 1984 request, if approved, would have permitted implementation of the plan. Our FY 1985 Request, if approved, would have permitted us to update and implement the plan. Our FY 1986 request, if approved, will permit us to update and implement the plan.

Wage Checks. Wage checks are not made with railroad records or state wage records (in those states that have them) in the case of SI claims. In the case of UI claims, district offices do, time permitting, make limited numbers of railroad employer wage checks and state wage checks (non-railroad employers) to determine that claimants were not working on days for which they claimed UI benefits. The wage checks are made (when made) months after the claims are paid and may result in efforts to recover benefits paid that were claimed fraudulently or in error.

In the recent past we have been experimenting with automated wage checks--matching computer tapes--in the hope that in the not too distant future we can substitute system-wide computer matching for manual checking. Initial computer matches have produced far more cases for investigation--and far more detected overpayments--than the old manual method. Expansion of matches will increase greatly the volume of investigations. The inescapable conclusion is that, while computer matches are effective and efficient, they will produce more work than we can handle with existing resources.

Railroad Wage Checks. As (and if) time permits, our district offices compare UI claims with railroad wage records. Our Kansas City district manager reported making " . . . some routine wage checks at the Missouri Pacific Railroad. We found discrepancies in approximately 95 per cent of the cases. . . . We are currently in the process of recovering duplicate payments in most of the cases." Unfortunately, as the GAO study noted, such wage checks are infrequent and limited.

Six years ago we developed a computer match of unemployment and sickness insurance payments against railroad employee service and compensation records provided us for other purposes. We investigated some 2 per cent of the cases the computer match suggested needed investigation and found improper payments in 23 per cent of these. We did not make a similar check of the remaining 98 per cent. We made a similar match in 1979 of 1978 claims but did nothing with the results, allegedly for lack of manpower. I question that we lacked the manpower then. We do now.

We are, however, now getting computer matches with Amtrak and working toward getting them with some other roads. If you authorize the resources to push forward, we'll move out of the horse-and-buggy age.

State Wage Checks. State wage checks are made, when made, to determine whether a claimant for unemployment benefits was working for a non-railroad employer on dates claimed.

State wage checks can be made easily in some states, with difficulty in others, and not at all in the remainder. In one large state where wage checks are easy to obtain but must be paid for, our regional director limited each district office to 250 a year. His reason is that the offices haven't the resources to investigate the hits from more than that number of wage checks, and he doesn't feel the Board should go to the expense and effort of gathering information that won't be used.

As GAO observed, district offices do state wage checks only as time permits: wage checks have a priority far below the priority given service to the public. Flooded by inquiries about the tax on railroad retirement benefits, our field offices have recently had almost no time at all for wage check activity.

As GAO observed, we do no state wage checks or employer wage checks against SI claims.

Ideally, as GAO suggested, we should make wage checks by computer rather than manually, and we are on our way--barely on our way--toward doing that. As reported, we have negotiated an agreement (now on hold) with one state and are in process of negotiating agreements (we hope) with six states that will permit us to make systematic computerized wage checks of beneficiaries with state employer wage records. Computer matches should enable us to cover 100 per cent of the claims instead of 0 to 10 per cent. This will entail devoting a great deal of staff time to developing computer programs and setting up arrangements with railroad employers and the states.

While the computer matches will be done at headquarters, the really time-consuming investigations that result from wage checks would continue to be done in the field. Developing a fraud case[2] for prosecution is quite time-consuming. When I last visited one office, it had spent almost 20 employee-days developing one $10 thousand fraud case; the regional office estimated it would have to spend an additional three to five employee-days in further development of the case in addition to the time required to try to persuade the Justice Department to prosecute.

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[2] A successful fraud prosecution, adequately publicized, is a powerful deterrent to others tempted to commit fraud: a successful prosecution saves the fund far more than the amount of the fraud prosecuted.

I reported last year that a study by our auditors disclosed that, excluding claimant interviews, which are not, as the Board conducts them, fraud/abuse prevention/detection tools,[3] each field staff year devoted to fraud/abuse detection found $90 thousand of fraud/abuse. A more recent study by our auditors disclosed a 500 per cent return on field staff time devoted to fraud/abuse detection.

* * *

I do not report our deficiencies to blame agency employees. I report them only to evidence need. The conscientiousness of Board personnel in trying to protect the funds against fraud and abuse frequently surprises me considering the demands made on them in other areas. They are stretched by other work, but many of them still make time to safeguard, as best they can, against improper payments.

If the Board gets the resources it said it needs or even the resources it requested, it can do a great deal more in fraud/abuse prevention activities that, with justification, it is criticized for not doing.

* * *

Code of Federal Regulations. As I reported last year, the Board submitted to OMB in 1978 its plans to comply with an executive order directing agencies periodically to review existing regulations. The Board reported that many of its regulations were out of date and in need of revision and said it had determined to undertake a complete review of all of its existing regulations over the next two years. The following year, by executive order, the President directed that regulations be put in plain English. The Board set a completion date for review and rewriting of January 1, 1981.

Four months later, in view of staff reductions, the Board set new target dates for several groups of regulations, and the dates ranged from 1981 to 1984. The agency did not meet the target dates set. Although we have made some progress, the project remains largely uncompleted.

Our General Counsel requested the staff resources to proceed, saying that "the adoption of a good set of regulations will be of assistance to the agency in carrying out its functions and will, over time, pay dividends in terms of staff hour savings well in excess of those devoted to the project." Perhaps more importantly, the Board will have up-to-date regulations available for the use of the public that has occasion to use the Code of Federal Regulations.

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[3] Unemployment interviews as now conducted by the Board are designed, not to get, but to give information--to acquaint the claimant with his/her rights and obligations Most claimants are interviewed in groups--groups ranging from two or three claimants to as many as two or three score. Instructions are that the interviews must be conducted within eight weeks of the first claim date, but because of staff shortages, many claimants are not interviewed at all.

With adequate staff, we could interview timely and interview individually (the preferred form of interview), and the interviews could be fact-gathering as well as fact-giving. Six years ago, we started training contact representatives in heuristic interviewing techniques designed to elicit from claimants information having a bearing on their claims but, lacking staff to do heuristic interviewing even if the interviewers were trained, stopped the training.

If the Board's appropriations request is granted, the Board will be able to assign to the task commencing in October the requisite number of personnel and to complete the task by the end of FY 1989.

* * *

As both the Congress and a former President have observed, RRB is unique among federal agencies. It exists to serve a single industry and its employees, active and retired, and their families. It is administered by a board of three persons, two from the railroad industry. Its administrative costs are borne by the funds administered and not by the general treasury. In view of the nature of the agency, the nature of the Board, the nature of the funds, and the source of funding for their administration, I urge you to appropriate from the funds we administer enough money--and authorize sufficient staff--to enable us to do a successful job of disbursing efficiently and effectively the $7 billion a year in our charge.

ATTACHMENT A

AUG 30 1984

Honorable George Bush
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

In compliance with OMB Circular A-11, we are submitting herewith our budget request for FY 1986. In accordance with Public Law 98-76, Section 416, we are submitting our request concurrently to OMB. Enclosed also is a statement of program objectives and plans on which our budget estimates are based. This letter summarizes our request and plans.

Our budget submission has four levels. The first two reflect OMB's planning assumptions. The third level would maintain staff at 1,578; the fourth calls for an increase to 1,662. The staffing numbers and administrative expenses for each of the four levels follow:

	Budget Level	FTEs	Administrative Expenses ($ million)
1.	Reduced - OMB's proposed level based on the assumption the unemployment insurance program will be transferred to the States effective January 1985.	1,240	$73.9
2.	Current policy - OMB's proposed level for fiscal 1985, assuming the UI program is not transferred.	1,498	81.3

Budget Level	FTEs	Administrative Expenses ($ million)
3. Intermediate - Agency's proposal to try to maintain current service levels but make major strides toward automating benefit payment and financial management systems.	1,578	83.8
4. Agency - In addition to maintaining present service levels and automating activities, this level enables the agency to eliminate over- and underpayment backlogs, improve internal controls, undertake quality assurance initiatives, and begin some improvement projects.	1,662	86.5

Automation of our benefit payment and financial management systems remains a primary agency objective. We recognize a fundamental obligation: we must try to ensure adequate service to beneficiaries while we design entirely new systems. Our current staff of 1,578 will be used primarily to continue operation of current systems; contractors will design, test and install the new systems. As many as 60 of our fiscal 1986 staff will be used to direct, support, monitor, and control the contractors' work.

Although the number of new benefit applications should decline slightly from past years, we shall have difficulty with only 1,578 FTEs maintaining current service levels at the same time that we make automation improvements. Consequently, under no circumstances should our staff level be reduced below 1,578.

The agency request level of 1,662 FTEs supports planned efforts to make modest improvements in program integrity and quality assurance, to reduce over- and underpayment backlogs, and to initiate deferred improvements.

The intermediate and agency request levels call for $11 million and $14 million more than our FY 1985 House and Senate appropriations committee markups. The increases are required to permit us to carry out our automation plans and, for the most part, represent nonrecurring expenditures. They are for computer equipment and for design, testing, and installation of the new systems. These amounts represent the only discretionary increases for FY 1986; we have deliberately cut the amounts the staff requested in order partially to offset the increases required for automation projects.

Staff recommended and gave good reasons for our requesting 118 FTEs and $5.2 million more than we show as the agency's request. These additional resources would permit substantial improvements in program integrity; badly needed audits, such as of our financial statements (which have never been audited) and of internal controls; automated office equipment over and beyond that required for our main automation project; placement of unemployed railroaders; and improved service to our public. These activities are warranted but, for the reason mentioned, we have not included them in our formal request.

Lastly, we request $392 million to make benefit payments for the phase-out costs of dual social security benefits. This amount funds fully these benefits and prevents reductions in individual benefit payments.

As required by the Supplemental Appropriation Act of 1955 [Section 1311(b), as amended], all statements of obligations furnished to the Office of Management and Budget in connection with the Board's request for proposed fiscal 1986 appropriations are valid. Also, we certify that no funds were obligated in the past year for purposes prohibited by the Coastal Barrier Resource Act (P.L. 97-348).

Sincerely,

R. A. Gielow

C. J. Chamberlain

Earl Oliver

ATTACHMENT B

November 6, 1984

Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The Railroad Retirement Board wishes to take this opportunity to respond to comments made on page 142 of Report Number 98-911 on H.R. 6028, regarding the Board's controls to prevent waste, fraud and abuse in the unemployment and sickness benefit programs under the Railroad Unemployment Insurance Act.

As pointed out on page 142 of the Report, a General Accounting Office (GAO) study of the benefit programs noted certain practices of serious concern to your Committee. On August 2, 1984, the Members of the Railroad Retirement Board met with GAO representatives to discuss recommendations made by that Office to improve internal controls in the benefit programs. The Board accepts each of the recommendations and is proceeding with plans to put them into operation.

Enclosed is a copy of our implementation action plan with respect to the GAO recommendations. As you will see, certain actions have already been taken, and other actions will be initiated within the next few months. Our plan of action for implementing the GAO recommendations addresses the problems cited in Report Number 98-911. As directed by your Committee, we shall provide a progress report early next year, prior to the fiscal year 1986 hearings.

In addition to accepting the GAO recommendations, the Railroad Retirement Board has recently approved a series of recommendations made by an internal quality control study team. These recommendations are designed to improve our claims processing procedures so as further to reduce the possibility of paying benefits to ineligible railroad employees. Among the improvements already in place are a completely redesigned unemployment benefit application form and a plan for conducting computer matching programs with the States and with railroad employers. The matching programs, which have produced good results so far, are designed to identify employees who claim unemployment or sickness benefits during periods when they are employed or are otherwise receiving employer payments such as vacation pay or pay for time lost.

The June 29, 1984 report of the Railroad Unemployment Compensation Committee, made pursuant to section 504 of the Railroad Retirement Solvency Act of 1983 (Public Law 98-76), included the following comments regarding the Board's administration of the Railroad Unemployment Insurance Act:

> "A number of situations were brought to the attention of the Committee which suggest to some that the administration of the RUI program could be improved, in terms both of preventing fraud and abuse and in the manner in which the RUI Act has been interpreted and applied. The Committee did not have the time or qualifications to examine those or other such matters in detail, and has not reached any conclusions as to the extent of the problem or as to the cost savings that might result from legislative or regulatory changes in that regard.
>
> "The members of the Committee do agree, however, that there is need for more thorough monitoring of the accuracy of the claims-handling process than is now possible because of personnel and budgetary limitations imposed upon the Railroad Retirement Board. The Committee urges the Board to request the funds and personnel needed for fair and effective administration of the RUI program, while recognizing that there is a limit beyond which further increases in administrative personnel and costs may not be cost-effective, or may even be counterproductive. The Committee also recommends to the Congress that it favorably consider such requests."

The Board concurs in the report of the Railroad Unemployment Compensation Committee. Staffing constraints imposed upon the Board in recent years have contributed to the problem of assuring that benefits are paid only to eligible railroad employees. At the same time, despite those constraints the Board has been assigned the responsibility for administering other new benefit programs for railroad employees but has not been authorized to acquire the necessary staff. As a result, the effective administration of the Railroad Unemployment Insurance Act has suffered.

The Board will address its staffing needs in its testimony before the Appropriations subcommittee early next year on the agency request for fiscal year 1986 that was submitted to the Congress and to the Office of Management and Budget.

Sincerely,

R. A. Gielow

C. J. Chamberlain

Earl Oliver

May 18, 1984

Honorable John E. Porter
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Porter:

Reacting to my prepared statement introduced at our appropriations hearing February 28, you expressed shock over the extent to which fraud exists in our operations and our lack of resources to combat it. You suggested the Board submit to the subcommittee "a proposal for maybe one hundred new employees . . . with the understanding that [you will "track their success record accurately" and that] you are going to give us back at least what they are costing and hopefully two to three or even more times that amount." You expressed the view that, if we do that, the "money will be very well spent by Congress [and] would tighten up the program immensely."

Later, Ms. Van Leer of your staff told me you would like for us to submit alternate proposals. The Board turned over to its Director of Audit and Investigation the task of developing the proposals, with the assistance of the concerned bureaus and the field rvice.

Attached are two proposals that were developed--one for dedication of 25, and the other 70, additional employees to combat fraud in our two major programs. According to the cover letter, also attached, the first proposal would cost $.9 million and produce recoverables of $2.8 million while the second would cost $2.2 million and produce recoverables of $7 million. The letter says, "In both proposals, we were intentionally conservative in estimating the overall savings or recoverables."

I had hoped there would be a third proposal--for 150 to 200 additional employees, for I am convinced from my seven years' experience with the Board they would much more than pay their way. However, inasmuch as no proposal for more than 70 was developed, I recommend that the committee add to our present 1,578 employees 70 employees dedicated exclusively to searching out and combating fraud and abuse.

My associates are recommending the smaller number rather than the larger. Representing as I do the sole taxpayer into the unemployment and sickness insurance fund and the major taxpayer into the railroad retirement funds, I am interested in getting as quickly as we can as large a return as we can in combating fraud. Our Director of Audit and Investigation has outlined how we can effectively and productively put to immediate use the 70 additional employees recommended.

Very truly yours,

ATTACHMENT C

Memorandum

May 9, 1984

TO : Acting Executive Director

FROM : Director of Audit and Investigation

SUBJECT: Proposal for combating waste, fraud, and abuse through the concerted efforts of additional staff; re: Congressman Porter's request at the February 28, 1984, House appropriations hearing

On March 5, 1984, the former executive director asked me to prepare the subject proposal for the Board Members' consideration. He asked me to identify the level of recoveries that could be attained by a maximum of 25 additional staff, whose sole function would be to participate in projects directly related to detecting waste, fraud, and abuse. He also asked that I prepare a proposal for detecting waste, fraud, and abuse at a level higher than the 25 additional staff, including an estimate of the resulting recoveries. Subsequent discussions with each Board Member also suggested the need to offer alternative proposals. Accordingly, two proposals are attached for the Board Members' consideration. One proposal shows the recoverables/savings that could result from the efforts of 25 additional staff. An alternative proposal, for a total of 70 additional staff, offers more intensive efforts now and a view towards a more automated and expanded anti-waste, fraud, and abuse program in the coming years. In both proposals, we were intentionally conservative in estimating the overall savings or recoverables. In determining staffing levels, we attempted to allow sufficient time for a thorough and accurate effort for each project. In the event that staff are more efficient than projected, additional projects or expanded coverage could be undertaken. We allowed for some absorption of the additional workload stemming from these projects within the Board's current staffing level.

Each proposal deals separately with the two major programs -- the railroad retirement program and the railroad unemployment and sickness insurance program. This should aid the budget process.

Also attached is a suggested letter for transmitting the selected proposal to Congressman Porter.

Identifying and selecting specific projects to be included in each proposal

To determine what specific projects should be included in each proposal, BAI auditors pulled together a list of potential projects based on their recent experiences, knowledge of past and current activities, and previously identified audit areas. They discussed most of these projects with Board managers and gathered information on each project from these managers and other data sources. BRC and Research officials, in particular, provided written material and participated in discussions which became the basis for the railroad retirement related projects included in each proposal. The portion of each proposal dealing with the railroad unemployment and sickness insurance program, on the other hand, relies primarily on recent experiences by field staff, who initiate most of the monitoring efforts concerning the unemployment program, and BAI auditors. We used these experiences to develop a model which allows us to project staffing needs and recoverables based on selected levels of effort and other variables. In developing both proposals, we looked for a good payback and broad coverage of both major programs. Because of the unknowns (lack of specific information) regarding many potential projects, we did not include them specifically in these proposals. As time and staffing ceilings allow, we intend to pursue these as surveys/pilot studies.

The next two sections of this memorandum touch briefly on the concepts, staffing needs, and recoverables/savings of the alternative proposals.

Proposal #1

Simply put, the first proposal describes how the Board would use 25 additional staff and what the return on the dollar invested would be. Although it is geared to the 1-year effort and payback, it can be viewed as the beginning of a building process. Basically, we start small, prove our point about a good return on the dollar invested, and later request additional resources, as needed, for expanded efforts in subsequent years. Those requests would have the added advantage of being based partially on the special effort in 1985.

This proposal estimates that for fiscal year 1985, costs will be about $900,000 and recoverables/savings will be about $2.8 million. The types of staff members needed under this proposal are:

1.5	Contact Representatives	(GS-10)	Field Service
12.0	Contact Representatives	(GS-8)	Field Service
1.0	Program Analyst	(GS-12)	BRC
2.0	Disability Examiners	(GS-12)	BRC
4.0	Claims Examiners	(GS-10)	BRC
1.0	Claims Examiner	(GS-9)	BRC
2.0	Claims Reviewers	(GS-5)	Research
0.5	Systems Analyst	(GS-12)	BDP
1.0	Auditor (FTE)	(GS-12)	BAI
25.0			

Most of the positions should be filled by seasoned staff who, in turn, would have their current positions filled by less experienced staff. This would keep the startup time to a minimum. Nevertheless, some training may be necessary.

BAI would develop a reporting and tracking system for this effort to meet informational needs, generally monitor staff utilization, provide advice and assistance as needed, and report on the success of the effort at the end of fiscal year 1985. This would consume about 1 full-time equivalent staff year. As time permitted, we would also establish a comprehensive reporting system for all anti-waste, fraud, and abuse activities.

The other 24 staff would be directly involved in the following projects.

- -- Conducting state wage checks to identify beneficiaries who were working outside the railroad industry while collecting unemployment insurance benefits.
- -- Monitoring and reexamining selected disability annuitants.
- -- Monitoring excess earnings and return to last person service.
- -- Policing cases on the railroad retirement benefit rolls for receipt of public service pensions.
- -- Conducting post-edit functions on railroad retirement benefit payments.

An important consideration in selecting the above projects was that prior experience had demonstrated the likelihood of a good payback. While this proposal primarily expands existing efforts, we anticipate that BAI and program bureaus would, within current staffing levels, investigate some promising new approaches. If any new approaches are demonstrated to be successful, they could be pursued either within current staffing levels or by reassignment of staff from the projects above.

Proposal #2

As an alternative, the second proposal calls for a staffing increase of 70 people who would (1) concentrate on automating and expanding the coverage of our principal detection mechanisms in the unemployment and sickness insurance program, and (2) improve and expand existing activities and implement new special projects in the railroad retirement program. The fiscal year 1985 staffing level was partially developed by first determining where we want to be in future years. In other words, we determined staffing levels for 1985 with a view toward consistent staffing levels over several years. We suggest this approach because it spreads the startup costs, avoids the need for immediate, intensive training for a large number of new hires, and reduces inefficiencies in the learning curve. By initiating all projects at once, we would forego the expertise and experience that could be obtained through a more gradual approach.

This proposal shows estimated costs in fiscal year 1985 to be about $2.2 million and estimated recoverables/savings to be about $7 million. Staffing needs would be as follows:

34.0	Contact Representatives	(GS-8)	Field Service
3.5	Contact Representatives	(GS-10)	Field Service
1.0	Program Analyst	(GS-12)	BRC
5.0	Disability Examiners	(GS-12)	BRC
8.0	Claims Examiners	(GS-10)	BRC
2.0	Claims Examiners	(GS-9)	BRC
4.0	Claims Reviewers	(GS-5)	Research
3.0	Claims Examiners	(GS-7)	BUSI
0.5	Systems Analyst	(GS-12)	BDP
1.0	Auditor (FTE)	(GM-13)	BAI
1.0	Auditor	(GS-12)	BAI
4.0	ADP Auditors	(GS-12)	BAI
3.0	Clerk-Typists	(GS-5)	BAI
70.0			

Comments concerning staffing made under the first proposal apply here as well, with one exception. Some of the audit positions could, and probably should, be filled with new hires. For example, seasoned auditors within BAI would be available for advice, but would continue to pursue other audit activities where their knowledge, skills, and abilities would be required.

BAI would orchestrate the various projects carried out by program officials and field service personnel. BAI staff would gradually automate (i.e., computer matching) the coverage of the Board's principal detection mechanisms for the RUIA program and explore and develop several new, promising detection and prevention techniques. Other agency staff would perform the projects listed under the first proposal at an increased level of effort; expand review efforts directed at identifying beneficiaries who improperly received benefits from the Board and a state agency for the same period of unemployment or sickness; increase the number of checks performed to identify beneficiaries who were working for a railroad employer while collecting unemployment or sickness insurance benefits; and, initiate checks with state agencies to identify beneficiaries who were working outside the railroad industry while collecting sickness insurance benefits.

General organization of the effort

We considered whether this special effort should be organized as a "task force" or as a "coordinated effort" by dedicated staff. Both approaches have their advantages. The "task force" structure offers clearer lines of accountability and the task force's performance may prove to be easier to monitor. The "coordinated effort" structure, by placing the additional staff into existing units, would be less disruptive initially and easier to expand if additional staff became available. We suggest the latter approach for the following reasons.

-- The projects included in this effort are mostly ongoing activities and thus, would be expected to continue on into the foreseeable future with or without the increased staffing.

-- There are inherent advantages in working with those who are carrying out the same activities -- better coordination, cooperation, and exchange of ideas; less conflict in distribution of workload. Most of the projects are already an integral part of current operations.

-- There are inherent savings by taking advantage of supervisors, clerical support, and others who are already in place and can handle the increase in resulting workload.

-- A coordinated effort will provide a firm and consistent foundation for future waste, fraud, and abuse efforts. It also allows for an easy blending of staff into organizational units after the special effort or various phases of the project are completed. A task force runs the risk of becoming permanent or resulting in personnel problems when the time comes to reassign staff to permanent organizational units.

-- Based on early returns for the first half of fiscal year 1984, field service personnel can do the job at an accelerated rate. During the first 6 months of fiscal year 1984, field staff identified recoverables of about $700,000 in the unemployment insurance program. In comparison, field staff identified recoverables of about $535,000 in benefit year 1983.

In our opinion, BAI should serve as the coordinator for the program. This is in step with its role as coordinator for all agency efforts to combat waste, fraud, and abuse (see CEO's memorandum to all Board employees dated December 24, 1981, and Administrative Manual section 10000, dated April 7, 1983). Also, the Inspector General Act of 1978 states that one of the purposes in creating independent and objective units (IG offices) is to provide leadership and coordination and recommend policies for activities designed to prevent and detect fraud and abuse.

Additional considerations

The following additional points should be kept in mind when evaluating the attached proposals because each could have an impact on the success of certain projects.

(1) Some recoverables are not collected. The amount of recoverables identified is reduced by waivers, debts declared uncollectible, cases reversed by appeals referees, etc.

(2) When doing state wage checks, we may be able to go back about a year. This should result in a good payback initially because of the recent high unemployment levels. On the other hand, the current, increased level of checking being performed by field service personnel could have an impact in the other direction on the results of this special effort.

(3) Congressional reaction to a stepped up effort of monitoring disability annuitants may not be positive. We attempted to compensate for this by increasing the staff time to allow for more thorough development of each case reviewed.

(4) The Board expects to have reductions in claims volumes. Up to a point, staff years available as a result of this decline in workload could be targeted to other waste, fraud, and abuse projects as well as carrying out the Board's program for reviewing and improving internal controls, performing debt collection activities, establishing accounts receivable timely, or performing various prepayment checks.

— — — —

Four BAI auditors -- Jim Finn, Tom Roraff, Bill Flynn, and Bob Seaberg -- spent much time and effort in gathering and analyzing information for the two proposals. We would be glad to discuss these proposals with you at your convenience.

Kenneth P. Boehne
Kenneth P. Boehne

ATTACHMENT D

Fiscal Year	End of Year Count Used Until FY 1982	
(Source)	Full Time Permanent	Total
1976		
(OMB letter 02-02-76)	1900	1920
(OMB letter 06-04-76)	1900	1975
1977		
(OMB letter 02-02-76)	1900	1920
(OMB letter 06-04-76)	1900	1920
(OMB letter 01-17-77)	1900	1920
(OMB letter 06-17-77)	1860	1880
1978		
(OMB letter 01-17-77)	1846	1866
(OMB letter 06-17-77)	1818	1838
(OMB letter 01-31-78)	1838	1858
1979		
(OMB letter 01-31-78)	1800	1820
(OMB letter 01-30-79)	1800	1820
1980		
(OMB letter 07-06-78)	1760	1780
(OMB letter 01-30-79)	1775	1795
(OMB letter 02-11-80)	1775	1795
1981		
(OMB letter 02-11-80)	1725	1745
(OMB letter 01-19-81)	1710	1750
(OMB letter 03-19-81 and CEO memo 03-03-81)	1625	1663
82		
(OMB letter 01-19-81)	1680	1720
(OMB letter 03-1981 and CEO memo 03-03-81)	1545 (FTP)	1582 (FTE)
(OMB letter 10-05-81)	1543 (FTP)	1578 (FTE)
(Telephone call: Lieberman to Brown 11-25-81)	1543 (FTP)	1578 (FTE)
(OMB letter 02-26-82)	1543 (FTP)	1578 (FTE)
1983		
(OMB letter 10-05-81)	1485 (FTP)	1518 (FTE)
(Telephone call: Lieberman to Brown 11-25-81)	1390 (FTP)	1423 (FTE)
(CEO memo 01-05-82)	1400 (FTP)	1433 (FTE)
(OMB letter 02-15-83)	-----	1578 (FTE)*
1984		
(OMB letter 10-05-81)	1426 (FTP)	1458 (FTE)
(Telephone call: Lieberman to Brown 11-25-81)	1200 (FTP)	1230 (FTE)
(OMB letter 02-15-83)	-----	1528 (FTE)
(OMB letter 02-21-84)	-----	1578 (FTE)*
1985		
(Telephone call: Lieberman to Brown 11-25-81)	1070 (FTP)	1100 (FTE)
(OMB letter 02-15-83)	-----	1498 (FTE)
(OMB letter 02-21-84)	-----	1498 (FTE)
(OMB letter 02-19-85)		1578 (FTE)*
1986		
(OMB letter 02-21-84)	-----	1240 (FTE)
(OMB letter 02-19-85)		1420 (FTE)
1987		
(OMB letter 02-19-85)		1240 (FTE)

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*For FY 1983, 1984 and 1985 Congress mandated a ceiling of 1578.

April 5, 1985

ATTACHMENT E

March 18, 1985

Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In its report 98-911 of last July 26, your Committee directed the Board to address at once serious problems relating to fraud, waste, and abuse that the General Accounting Office found in the railroad unemployment and sickness insurance programs and to report to the Committee prior to the fiscal year 1986 hearing the steps taken to correct the problems. The Board made a preliminary report November 6, 1984. A copy of that report is enclosed.

Recommendation 1: Require unemployment insurance claimants to provide evidence of their identity at the time of their initial application and subsequent claims for benefits.

Action: The Board issued instructions to this effect last year to all unemployment claims agents and will repeat these instructions later this year. It will instruct its traveling field representatives to make certain, to the extent they can, that the unemployment claims agents--railroad rather than Board employees--comply with the instructions.

Recommendation 2: Require doctors to provide some form of additional identification that would not be known to claimants, such as use of the doctor's tax identification number, when they provide medical information.

Action: The Board began last month a study on how most effectively and efficiently to do this. It hopes to have an automated system in operation by the end of this year.

Recommendation 3: Negotiate with state unemployment agencies to implement a systematic procedure for periodic wage checks for all possible beneficiaries.

Action: An agreement has been negotiated with Illinois; draft agreements have been exchanged with Indiana, Missouri, Ohio, and Pennsylvania, and negotiations are under way with California and Texas. The Board hopes to have computer matching systems operating for the seven states by September of this year and with three more states by September of next year.

Recommendation 4: Notify rail employers when a claimant has filed for unemployment or sickness insurance benefits.

Action: The Board plans in April to request employer suggestions on how best to do this, in May to begin the computer systems work, and in July to start sending the notices.

Recommendation 5: Verify changes of address and instances of multiple benefit checks being sent to the same address.

Action: The Board is developing a computer-produced notice to send to a claimant's former address whenever a new address is given. It commenced the project in February and hopes to have it in operation by September.

The Board has been slow in implementing GAO's recommendations because of press of work and a shortage of resources as discussed in its November 6 letter.

Sincerely,

R. A. Gielow

C. J. Chamberlain

Earl Oliver

BIOGRAPHY OF ROBERT A. GIELOW

Prior to becoming Chairman of the Railroad Retirement Board (3–8–83), Mr. Gielow was a senior vice president, member of board of directors and member of the executive committee of Alexander & Alexander Services, Inc. He has held various positions at Alexander & Alexander, Inc., where he was employed from 1965 through 1982. These consisted of director, risk analysis and management group; director, Midwest region, Alexander & Alexander, Inc.; managing vice president, Chicago office, Alexander & Alexander, Inc., account executive/salesman, Alexander & Alexander, Inc., Chicago office.

Mr. Gielow was born August 18, 1919, in Chicago, IL. He served in the U.S. Navy from 1940 through 1945. He received a bachelor's degree from Carleton College in Northfield, MN.

Mr. Gielow and his wife, Nancy, reside in Glencoe, IL. They have three children, Stephen, Marion, and John.

BIOGRAPHY OF CHARLES J. CHAMBERLAIN

Mr. Chamberlain was born August 7, 1921, in Ashton, IL. He began his railroad career as an assistant signalman for the Chicago & Northwestern Railroad in 1938. He later became active in the railroad labor movement and held numerous offices in the Brotherhood of Railroad Signalmen from 1941 before becoming president of the brotherhood in 1967. Mr. Chamberlain was elected as chairman of the Railway Labor Executives' Association in 1970–77. The Railway Labor Executives' Association, composed of railroad union leaders, is a coordinating and policymaking body on legislative and other matters affecting railroad workers. Mr. Chamberlain also served on the railway industry labor-management committee in 1972–77, the Railroad Safety Research Board in 1975–77, and the high-speed ground transportation advisory committee in 1973–75.

On August 25, 1977, Mr. Chamberlain was appointed as labor member of the U.S. Railroad Retirement Board by President Carter on the unanimous recommendation of the Railway Labor Executives' Association to fill in an unexpired term ending August 28, 1979. President Carter later reappointed Mr. Chamberlain for a 5-year term beginning August 29, 1979. Mr. Chamberlain's reappointment was confirmed by the Senate on July 26, 1979.

Mr. Chamberlain and his wife Joyce reside in Crystal Lake, IL. They have two sons, Richard and Charles, and five grandchildren.

BIOGRAPHY OF EARL OLIVER

Management member of the three-member Railroad Retirement Board which administers the Railroad Retirement and Railroad Unemployment Insurance Acts.

Formerly senior vice president-personnel and administration, Illinois Central Gulf, with jurisdiction over personnel, labor relations, labor law, safety, medical, materials management, real estate, and corporate services. At time of retirement from ICG, was senior member of National Carriers Conference committee and staff person for joint labor-management committee consisting of railroad and union presidents. Spent most of railroad career in labor relations work for Illinois Central. Prior to employment by IC, spent 7 years in operating department of Chicago & North Western.

Born in Monticello, KY. Bachelor's degree from Oklahoma State University and 2 years' graduate work at OSU and University of Minnesota.

STATEMENT OF ROBERT A. GIELOW

Mr. Chairman and members of the committee, before discussing the specifics of our 1986 budget request, I would like to furnish some general information on the Railroad Retirement Board.

PROGRAMS ADMINISTERED BY THE RAILROAD RETIREMENT BOARD

The Board is an independent agency in the executive branch; its primary function is to administer Social Security equivalent benefits, rail industry pension payments, and unemployment-sickness payments for the Nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the Board has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' medicare coverage.

Because of its experience with railroad benefit plans, the Board has been given, in recent years, administrative responsibility for certain employee protection measures provided by other Federal railroad legislation, such as the Regional Rail Reorganization Act, the Northeast Rail Service Act, the Milwaukee Railroad Restructuring Act, and the Rock Island Railroad Transition and Employee Assistance Act. Appropriations for program benefits under those acts are sought by the Department of Transportation.

STRUCTURE OF THE BOARD

The Board is administered by three members appointed by the President, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employee organizations, and another is appointed upon recommendation of railroad employers. The third member, who is the Chairman, is independent of rail labor and management and is appointed to represent the public interest. The terms of office are 5 years, and they are scheduled to expire in different years.

SOURCES OF REVENUE

During the 1984 fiscal year, retirement-survivor benefits of about $5.6 billion were paid to almost 1 million annuitants. Unemployment and sickness benefits paid to over 148,000 beneficiaries were over $208 million.

The primary source of revenue for retirement-survivor benefits is payroll taxes on railroad employers and employees. Other sources of revenue currently include a financial interchange with the Social Security trust funds and interest on investments. For certain vested dual benefits which are being phased out, the Congress appropriates funds from the general Treasury as well as loans related to past shortfalls.

The source of revenue for unemployment and sickness benefits is payroll taxes on railroad employers.

PROPOSED BUDGET RESCISSIONS IN 1985

Before discussing the appropriation requests for 1986, I need to mention a change in our 1985 budget. Two rescissions, totaling $3.6 million, are proposed for 1985, reducing funds to administer the RR and RUI/SI programs from a total of $72.1 million to $68.5 million. The rescissions are designed to ensure that the Board has what it needs to administer the programs, but not more than it needs. The rescissions reflect reductions in fiscal 1985 obligation authority resulting from changes in our method for estimating expenditures as a result of fund lapses in 1983 and 1984, particularly in compensation and benefits, and other economies we made in a contribution to the deficit reduction.

APPROPRIATIONS IN 1986

The specific appropriation requests in 1986 are as follows:

VESTED DUAL BENEFITS

The request for the vested dual benefit appropriation, authorized by the Railroad Retirement Act of 1974 to reimburse the "Railroad retirement" account for the phase-out costs of dual railroad retirement-Social Security benefits, is $392 million. This amount represents full funding of these benefits so that reductions in individual benefit payments will not be required during the fiscal year.

FEDERAL PAYMENT TO THE "RAILROAD RETIREMENT" ACCOUNT

This appropriation request is for $2.2 million to transfer to the "Railroad retirement" account funds left in the Treasury for uncashed checks, to be available through fiscal 1987. Provision for this was enacted in the Railroad Retirement Solvency Act of 1983; a similar provision was recently put into the Social Security Act. In addition, $1 million has been carried forward into fiscal year 1986 from the fiscal year 1985 appropriation, making a total available for fiscal year 1986 of $3.2 million.

ADMINISTRATIVE EXPENSES

On a summary basis, the request for the administrative expenses is $64.5 million, a reduction of $7.6 million from the 1985 appropriation act, which will support 1,420 full-time equivalent employees [FTE's] and their associated expenses. These requests include the effect of the administration's proposed 5-percent pay cut for Federal civilian employees. In fiscal 1986, the proposed level of 1,420 FTE's represents a savings of 158 FTE's from the current year level of 1,578 FTE's. This level of staffing is based upon a projected 60 percent workload decline from fiscal year 1983 levels particularly in the Unemployment and Sickness Insurance Program. The budget proposes to reduce staffing proportionately less than the projected decline in workloads.

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND

The administration's request for this limitation is $9,205,000 in obligations. This amount will support 206 full-time equivalent employees and the associated expenses. Funds not needed to support this level of expenditures will be returned to the "Railroad unemployment insurance" account to help pay sickness and unemployment benefits.

LIMITATION ON ADMINISTRATION (RAILROAD RETIREMENT)

The administration's request for this limitation is $55,295,000, which will support 1,145 full-time equivalent employees and the associated expenses. There are also 54 full-time equivalent employees funded from this account by a transfer from the Health Care Financing Administration of HHS.

REIMBURSABLE PROGRAMS

In addition, the Board is responsible for carrying out, on a reimbursable basis, the following programs: Title VII labor protection payments; Milwaukee Road labor protection payments; and Rock Island labor protection payments.

Total administrative expenses for the title VII programs in fiscal year 1986, which will be funded separately, will be $411,000, requiring 15 full-time equivalent employees. We do not expect any activity in the Milwaukee Road and Rock Island programs during fiscal year 1986.

RECENT DEVELOPMENTS AT THE BOARD

The enactment of the Railroad Retirement Solvency Act in August 1983 has stabilized railroad retirement financing. That legislation also established a committee to review all aspects of our Railroad Unemployment and Sickness Insurance Program. That committee did report. The administration proposes to extend Federal/State UI coverage to the rail employment beginning October 1, 1986. The fiscal year 1986 request for the RUI Administration does not reflect any savings from that legislative proposal.

We are making progress on our highest priority effort—automation. As part of our long-range automation plan, we have awarded a contract to complete the detailed design and installation of a new automated retirement claims processing system. This budget contains additional funds for equipment and contractual assistance to continue this effort. The contractor is currently in the requirements definition stage which precedes the systems design phase of a system life cycle.

We have installed data terminals in 38 of 75 of our busiest field offices. We expect to install terminals in the remaining offices by the end of this year.

We have also competitively let a contract in August 1983 for a new administrative management information system. Operational testing of segments of this system is underway.

Compliance with the Federal Managers' Financial Integrity Act of 1982 is another high priority area for us. We have completed vulnerability assessments of all of our 128 systems of internal controls, and we have put in place action plans to deal aggressively with material weaknesses identified in the course of these reviews.

The Secretary of the Treasury has also congratulated us for exceeding our cash management goal by 43 percent.

PROPOSED LEGISLATION

The administration proposes legislation which they believe will (1) conform the treatment of rail industry pensions more closely to that of other private industry pensions, (2) correct inconsistencies in the current law treatment of rail pension, and (3) improve administration of Social Security and rail pension benefits to railroad retirees. Under these proposals:

—All rail pensions would be given a uniform cost-of-living adjustment [COLA] of 32.5 percent of the Social Security COLA, and would be treated just as all other private pensions are for tax purposes. This would correct inconsistencies under current law that treat some rail pensions as if they were Social Security benefits and other rail pensions as if they were private pensions for computing COLA's and determining what payments should be included in income for tax purposes, and conform the treatment of rail pensions more closely to other private sector pensions. The vast majority of private pension payments receive no automatic COLA at all.

—Railroad retirement coverage would be extended to all new Railroad Retirement Board employees and all Board members, providing a complete replacement to the old civil service retirement plan for these employees. GAO found railroad retirement coverage to be in some cases higher than the old civil service retirement coverage for an average worker and spouse and consequently, more expensive. The administration believes that covering Board employees under the pension system they administer would help promote better service to railroad retirees and their families.

—The adjudication and payment of Social Security benefits for newly retired railroad employees and their families would be transferred to the Social Security Administration [SSA]. All new railroad retirees would apply for Social Security benefits directly to SSA at any one of over 1,300 district offices nationwide. Rail pensions would be unaffected by this management improvement.

—Under the budget proposals, the full COLA on Social Security equivalent benefits would be paid in fiscal year 1986; as part of the administration's freeze-plus policy, only the COLA on rail pension payments would be frozen.

—Extend Federal/State unemployment coverage to railroad employment. Rail workers would be eligible for higher weekly maximum benefits available in some 42 States.

Mr. Chairman, this completes my prepared remarks. Mr. Chamberlain will speak next and then Mr. Oliver.

[Dollar amounts in thousands]

Account/activity	Fiscal year—									
	1984 actual		1985 request		1985 appropriation		1985 revised request		1986 estimate	
	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds	Positions	Funds
Dual benefits payment account: Total obligations		$413.170		$405,000		$405,000		$405,000		$392,000
Financing:										
Unobligated balance lapsing		6,830						400		200
Budget authority		420,000		405,000		405,000		405,400		392,200
Budget authority:										
Appropriation		420,000		405,000		405,000		405,000		392,000
Transferred from other accounts								400		200
Appropriation (adjusted)		420,000		405,000		405,000		405,400		392,200
Limitation on administration:										
Maintenance of rail earnings accounts	22	1,004	22	1,099	22	1,099	22	1,037	22	1,036
Processing rail applications	375	17.054	375	18,672	375	18,675	375	17,619	375	18,620
Maintenance of rail benefit rolls	564	25,587	563	28,015	564	28,011	564	26,435	563	27,950
Medicare	55	2.508	55	2,746	55	2,747	55	2,591	55	2,749
Administration	74	3.335	73	3,652	74	3,653	74	3,446	74	3,644
Office of Inspector General	14	674	16	738	14	737	14	696	15	736
Total direct program	1,104	50,162	1,104	54,922	1,104	54,922	1,104	51,824	1,104	54,795
Reimbursement program		1,209		1,200		1,200		1,200		1,200
Total obligations		51,371		56,122		56,122		53,024		55,995
Financing:										
Offsetting collection from trust funds		-1,209		-1,200		-1,200		-1,200		-1,200
Unobligated balance lapsing		5,884		500		500		500		500
Limitation		56,046		55,422		55,422		55,422		55,295
Supplemental language reduction								-3,098		

Limitation on Railroad Unemployment Insurance Administration:										
Maintenance of rail earnings account	16	556	16	614	16	666	16	646	16	368
Processing rail unemployment insurance claims	203	6,812	203	7,530	203	8,166	203	7,921	104	4,507
Processing of rail sickness claims	145	4,866	145	5,379	145	5,834	145	5,658	100	3,220
Rail claimant placement services	8	280	9	309	8	335	8	325	8	185
Administration	36	1,210	36	1,338	36	1,451	36	1,407	26	801
Office of Inspector General	6	188	4	208	6	226	6	219	6	124
Total obligation	414	13,912	414	15,378	414	16,678	414	16,176	260	9,205
Financing:										
Unobligated balance available start of year		-926				-7,266		-7,266		-5,050
Ad hoc appropriation		-230								
Appropriation from RR UI trust fund		-6,659		1,178		-3,038		-3,038		
Unobligated balance transferred net						4,258		4,258		4,522
Unobligated balance available end of year		7,266				4,548		5,050		6,000
Limitation		13,363		14,200		15,180		15,682		14,677
Supplemental language reduction							-502			

MANAGEMENT MEMBER'S OPENING REMARKS

Mr. OLIVER. During the past 7 years, OMB has tried valiantly to do away with the Railroad Retirement System and the Railroad Retirement Board. It has cut our personnel resources by 20 percent. Three years ago, you came to our rescue and stopped OMB and I hope that you will continue to stop it.

However, we need more resources than we presently have. OMB proposes to have for us next year 23 percent fewer employees than we told you last August we need. It proposes to have for us next year, 30 percent fewer dollars than we told you last August we need.

If you give us the resources and dollars, we can repay the fund, and we can save the taxpayers money manyfold. Both of the chief taxpayers, railroad management, and railroad labor, dislike very much what OMB is doing to us, and they have formally requested you not to permit it to continue to do that.

As I said, with adequate resources, we can save up to a 500-percent return on the investment, and that will be money into the trust funds and it will be money that will help you to hold down the increase in the Federal deficit.

Thank you very much.

FISCAL YEAR 1986 BUDGET REQUEST

Senator WEICKER. I have the letter here from Mr. Oliver.

> In our budget request to the Senate on August 30, we the Board asked authorization for fiscal year 1986 of $86.5 million in administrative expenses, and 1,662 full-time employees, 84 more than our present 1,578. While we only ask $86.5 million and 1,662, our staff recommended—and could justify—$91.7 million, and 1,780 full-time employees to provide needed service and curtail error, fraud, and waste. OMB proposes in the administration's budget $65.7 million, and 1,420 FTE's. We need resources to pay annuitants correctly. At present we have a backlog of retirement adjustments estimated at between $22 and $55 million, and the backlog grows some $7 million a year. It is unconscionable to hold from beneficiaries money to which they are entitled when there are adequate resources to pay what we owe.

Would you like to comment on this, Mr. Gielow?

Mr. GIELOW. Those figures are correct, as furnished by our staff. We have backlogs which have really generated at a high rate since the railroad recession of 1983. During this time, our FTE's have been constant at about 1,578. Next year we expect, for instance, that our unemployment claims will go down considerably, yet what we did in 1983 and 1984 was to use our staff to respond to the emergencies that we had in the number of employed.

As an example, in unemployment compensation, such as Mr. Oliver is referring to, from 1983 to 1984, the recoveries we made in waste, fraud, and abuse went from $500,000 to $1.5 million. This was done by virtue of our being able to divert our people into waste, fraud, and abuse followup that we were not able to do because of the press of paying claims.

It comes down to the point of backlogs and waste, fraud, and abuse, with more people we can attack those two things.

Senator WEICKER. As nice as it would be to have the extra money vis-a-vis the waste, fraud, and abuse, I suppose what bothers me more, as I understand what Mr. Oliver is saying, in a way, you have this money in the float, if you will, at the expense of the people to whom the money is owed.

Mr. GIELOW. That is true.

Senator WEICKER. I don't think that is right, do you?

Mr. GIELOW. No; and that is the reason we feel we can attack the backlog, we are talking about, on the one hand, and also supplement the Waste, Fraud, and Abuse Program.

Senator WEICKER. You can't do it with the budget that OMB has given you, can you?

Mr. GIELOW. No; we can do a certain amount of it, but we could increase the amount that we could do with additional resources.

As I said, we have been able to step up our recoveries. We have been able to dedicate a certain number of people to paying these backlogs. One of the problems of the backlogs, and one of the reasons that it is so important that we go ahead with our automation is that currently, most of these backlogs have to be attacked manually rather than through automation. Because of the complications of the system, it really takes about 18 months to train a claims examiner to handle the kind of cost-of-living adjustments and the reconciliations with Social Security that are required.

One of the problems is that we need a continuity of employment level so that we can train and bring these people in to handle these adjustments.

Senator WEICKER. Senator Proxmire.

REMOVAL OF PRIOR YEAR APPROPRIATION LANGUAGE

Senator PROXMIRE. Mr. Gielow, the administration is not requesting appropriation language mandating the level of funding to be apportioned to the account titled "Limitation on railroad unemployment insurance administration fund." Can you tell us why this language is not being proposed?

Mr. GIELOW. I can't tell you what the reasoning is. However, we feel it is very important that we have the authority so we can plan, as I said, with a continuity of FTE's, which the Congress has mandated to us over the past years.

Mr. OLIVER. May I say something, Senator?

Senator PROXMIRE. Yes, Mr. Oliver.

Mr. OLIVER. You put in the appropriations language 3 years ago, as you recall, language which prevented OMB from decimating us as it proposed to do. OMB wants to get that language out so that it can continue its process of decimation.

UNOBLIGATED BALANCES

Senator PROXMIRE. The appendix to the President's 1986 budget indicates that you had a large unobligated balance at the end of 1984 in your "Limitation on Railroad Unemployment Insurance Administration" account. To be precise, you had a balance of $7,266,000 as compared to an unobligated balance available of $926,000 at the end of 1983.

Your estimated unobligated balances for 1985 and 1986 are also substantial, $5,050,000 and $6 million respectively. Can you tell us why you are running such large unobligated balances in this account?

Mr. GIELOW. There is no simple answer to dollar amounts of the size that we are talking about. As I mentioned briefly in my summary, they range everything from contracts that we had expected to let during those years for our automation systems which were delayed through the process of bidding, through the process of going through the General Accounting Office, things like that. We were delayed in hiring a number of people for various reasons, such as changes in the entry level examination.

Senator PROXMIRE. Why do you anticipate continued high unobligated dollars, even higher in 1986 than in 1985? It is $6 million, as we understand it here, in 1986.

Mr. GIELOW. In 1986, or in 1985?

Senator PROXMIRE. In 1985, it is $5,050,000, and in 1986, it is $6 million.

Mr. GIELOW. Our unobligated balance in 1986?

Senator PROXMIRE. Yes, sir; available at the end of the year, that is the estimate.

Mr. GIELOW. May I ask our budget officer, Mr. Oczkowski, to address that.

Senator PROXMIRE. Are you from suburban Chicago, too?

Mr. OCZKOWSKI. Yes, Senator.

Senator PROXMIRE. There are quite a lot up here. We have Glencoe, Crystal Lake, and where are you from?

Mr. OCZKOWSKI. From Indian Head Park, sir.

Senator PROXMIRE. No wonder you are so high quality. I came originally from Lake Forest, IL.

Mr. OLIVER. Senator, I live in downtown Chicago.

Senator PROXMIRE. I thought you did. It said Illinois central, but they concealed that. I guess they didn't want to make a complete sweep. You are obviously all Chicago Cub fans.

Go ahead, sir.

Mr. OCZKOWSKI. The primary reason is due to contributions to the Unemployment and Sickness Program. We get contributions from the railroad employers for the administration of the unemployment program, and, at the 1,420 FTE level in 1986, for example, we will have more contributions than we need to fund 1,420 FTE's, which is a little less than $10 million.

According to law, these moneys carry forward to the next fiscal year. Unobligated balances carry forward, if you don't spend them.

LAPSE OF ADMINISTRATIVE FUNDS

Senator PROXMIRE. Let me ask you along the same line. Once again, this year you have a very substantial unobligated balance lapsing in your "Limitation on administration" account. Last year you estimated that you would lapse $500,000 in 1984, and you actually lapsed $5,884,000 or about 10 percent of your total appropriation. Can you tell us why you consistenly lapse such large sums of money?

Mr. GIELOW. I will ask Mr. Oczkowski to reply to that.

Mr. OCZKOWSKI. In 1984, there were several reasons why we lapsed so much money. One reason is that we made some poor estimates for salaries and compensation, which accounted for about $2.5 million in lapsed funds.

Another reason, and recognize this is somewhat subjective, to try to attribute reasons as to why this occurred, we also estimate that we saved about $1 million. We were very tight on fourth quarter spending. We didn't buy furniture and things that we didn't think we needed. We also saved money by either buying out or purchasing new equipment. We, therefore, saved some money in repairs and maintenance costs that we didn't anticipate.

Other things that occurred were that some of our workload forecast didn't materialize as we expected—for example, unemployment forecasts. When they made out the budget for 1984, they forecasted higher unemployment than actually occurred so that our related expenses, which are very variable and very volatile, didn't materialize.

There, therefore, are many reasons for the funds lapse. I would say, however, of that which lapsed, about $2.5 million is attributable to poor estimating: the need to make better estimates of salaries and benefit costs.

Senator PROXMIRE. It sounds like you have enough money but not enough positions. OMB won't give you the positions; is that right?

Mr. GIELOW. I think that positions is a very key item, Senator.

Mr. OLIVER. As far as our "Unemployment insurance" account is concerned, we do have plenty of money for almost twice the number of positions that we are allotted, but OMB simply will not permit us the positions we need.

MANAGEMENT MEMBER'S REAPPOINTMENT

Senator PROXMIRE. I don't want to pursue this too long because we have other agencies, but let me just ask one other question in relationship to the record, Mr. Oliver.

You wrote to the chairman and you sent me a copy of that letter. Incidentally, I appreciate very much your straightforwardness and your honesty, and your bluntness, in speaking out. It is fair and it is very well composed.

Mr. OLIVER. Thank you.

Senator PROXMIRE. I notice you say, "The White House Personnel Office declined management's request to reappoint me. It objected to my testimony to your subcommittee against OMB's attempt to gut the agency, and I will shortly be replaced." That was 2 months ago, and I hope it means that they will not replace you.

Mr. OLIVER. I was hoping that I could testify today. I think that if this hearing had been delayed for 2 weeks, I would not have been here.

MATERIAL WEAKNESSES IN INTERNAL CONTROLS

Senator PROXMIRE. I hope that your estimate on that is wrong, too.

At any rate, in the letter you wrote, you pointed out that the Board requested $86.5 million for administrative expenses last August, but that OMB had reduced this to $65.7 million. That letter went on to say that you had 33 material weaknesses in your internal control systems, three times as many as any of the other 45 agencies reviewed.

What are the three or four most significant material weaknesses in your internal control systems and how much money would it take to correct them?

Mr. OLIVER. Our most significant weakness is in our SI system, our sickness insurance system. We have virtually no control over the payment of sickness insurance benefits. Presently, for example, if I am a railroad employee and I say that I am sick, I fill out a form that is supplied to me by the Board or by my employer, and I get somebody to sign it who says that he is a doctor, and generally, of course, it is a doctor. It is sent in to us, and if I have the qualifications in prior years to receive sickness benefits, then I will automatically be paid sickness benefits for a certain length of time.

There is no investigation whatsoever. There is no wage comparison with the employer to find out if I am actually working. There is no wage comparison that matches with the State to find if I am working elsewhere. There is just nothing at all.

It will require substantial amounts of money to correct that.

The second material weakness is the money that we pay on behalf of people who can't handle their own money. It used to be that we spent time safeguarding these employees or these beneficiaries to make certain that the moneys were spent for their benefit. Now we have given up entirely on that. We can no longer assure that the moneys are being spent for the benefit of the people who are supposed to have them.

A third is our unemployment insurance [UI] system. Our UI system is very bad in that the individual simply claims benefits, and if the Board has no reason to think that the person is not entitled to benefits, we pay. It is a bad system. Presently, the employer, who pays all of the taxes, does not have input in the sense that he cannot question the payment. He is not even permitted to know about the payment we make.

Under the State system, he is informed of the payments and is able to appeal, just as the individual is able to appeal. He can even go to court. Under our system, he cannot.

We have recently instituted, or are in the process of instituting at the instance of GAO, a system of informing the employer of payments claimed by beneficiaries, but it will take a change in the law to allow the employers to question what we do.

Both management and labor have joined in recommending to the Congress that there be that change in the law so that we can have greater control. But if we have greater control, it is going to take a lot more resources to do the controlling.

Senator PROXMIRE. Thank you very much.

Senator Burdick.

WASTE, FRAUD, AND ABUSE

Senator BURDICK. When I entered the hearing room, we were talking about waste, fraud, and abuse. I just have a simple question.

In reference to the cost of maintaining those collections as against how much you get, what is the ratio?

Mr. OLIVER. The most recent study made by our Bureau of Audit and Investigations is that we have a 500-percent return on investment in our field service where the investigations are made. In other words, for every dollar spent in investigating in the field service into waste, fraud, and abuse, we get a $5 return.

Senator BURDICK. Why are we so careful about this money when we get five times what we pay?

Mr. OLIVER. That is the thrust of my testimony.

SUFFICIENCY OF BOARD RESOURCES

Senator BURDICK. You talk about your testimony, and I have it in front of me, and you say that you need resources to pay annuitants correctly. Currently, we have a backlog of retirement adjustments estimated at between $22 million and $55 million. The backlog grows some $7 million a year. It is unconscionable to withhold from the beneficiaries millions of dollars to which they are entitled when with adequate resources, we could pay what we owe.

What do you consider to be the adequate resources?

Mr. OLIVER. Mr. Gielow addressed that earlier before the Senator came in.

Mr. GIELOW. Yes; we have had, for the last 3 years, 1,578 employees. We, in our testimony, stated that we hope we will not go below the minimum of 1,578. OMB has recommended a lower number. However, one of the problems I mentioned is that the adjustments you are referring to are complicated adjustments. They are not adjustments we can just assign somebody next week to do. It takes approximately 18 months to train a person to be able to efficiently handle all of these cost-of-living adjustments, and the reconciliations that have to be made with Social Security.

What we need is a continuity so that we can be sure that we are going to keep a level of 1,578.

Mr. Oliver. Senator, last August, the three of us told you that we need $91.7 million, and 1,780 employees, an increase of something over 200 employees.

Senator Burdick. To make it simple, you need more manpower.

Mr. Oliver. We do.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator Burdick. Thank you.

Senator Proxmire. Thank you, gentlemen.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

EFFECT OF AMTRAK PROPOSALS

Question: Graham Claytor, the President and Chairman of the Board of Amtrak, has said that if all Federal funds for Amtrak are eliminated, Amtrak will declare bankruptcy on October 1, 1985. What effect would the bankruptcy of Amtrak have on the Railroad Retirement Board?

Answer: The following estimate is based on the assumptions that (1) 25,000 jobs are lost on October 1, 1985, and (2) no protective payments are provided which would affect eligibility for unemployment benefits or which would provide additional tax income. Dollar amounts are in millions.

Item	Amount
Additional unemployment insurance benefits payable	
Fiscal year 1986	$150
Fiscal year 1987	80
Annual reduction in unemployment insurance tax income	15
Average annual reduction in railroad retirement tax income for fiscal years 1986-1990	190
Reduction in Railroad Retirement Account balance as of December 31, 2000, compared to current estimates	4,900

MANAGEMENT MEMBER'S CONCERNS

Question: Mr. Gielow, as the Chairman of the Railroad Retirement Board, I would like you to respond to outgoing member Mr. Earl Oliver's concerns expressed in his March 4th letter to this committee. He asserts that you have a backlog of retirement adjustments that may amount to as much as $55 million. Is that correct?

Answer: A study of our backlog was completed earlier this year. A small sample disclosed an estimated net underpayment of approximately $22 million; the actual dollar value could range anywhere between a net overpayment of $10 million to a net underpayment of $55 million.

Question: How many beneficiaries are affected by this backlog?

Answer: As of December 31, 1984, there were a total of 100,200 beneficiaries affected in the backlog. Of this total, 71,100 received cost-of-living increases that may or may not have been correct and 29,100 may be due an increase, or a correction of a previous increase, as a result of including in their annuity computation the earnings they had after retirement.

Question: How many additional full-time employees would be required to close this backlog within a two-year period?

Answer: Based on a small sample of this backlog, a total of 63 to 98 staff years will be required to work off this backlog.

INTERNAL CONTROLS

Question: Mr. Oliver has also called the Committee's attention to a major problem in the Board's internal control system. How much money is being lost each year due to these weaknesses?

Answer: We do not know the total amount of money lost each year due to the material weaknesses that we have identified. The analyses we have performed are limited and cannot be used to project total potential losses. However, since there are so many material weaknesses, losses could be substantial.

Question: If you received the Board's request for 1780 FTE's would these problems be solved?

Answer: As we have reported to the President and the Congress, we believe that significant weaknesses exist in many of our systems. Our claims processing and financial management systems are old, patched, and, in some cases, in serious danger of complete breakdown. These conditions contribute to recurring backlogs and processing breakdowns that we lack the staffing to manually correct.

Over the last few years, we have made a significant staff investment in modernizing and automating our claims processing and financial management systems.

We, however, are deeply concerned about our ability at current staffing levels to concurrently maintain the timeliness and quality of our routine workload; complete development of the new systems; purify the information to be loaded into the new systems; meet the review and improvement requirements of OMB Circular Nos. A-71, A-123, and A-127; and, provide adequate investigative followup for the automated program integrity systems that we are developing.

We believe the staffing increase that we are requesting -- 202 positions-- will enable us to permanently correct the weaknesses in our systems.

BACKLOG IN CLAIMS PAYMENTS

Question: Please describe your current situation on backlogs in claims payments.

Answer: Our regular pending workloads are slightly higher than last year: 99,100 versus 97,800. The number of initial applications pending remains fairly constant at approximately 21,000. There was an increase in the number of cases requiring adjustment. These are mostly additional cost-of-living rejects caused by the complexity of the December 1983 and December 1984 Tier II Solvency Act reduction.

The number of backlogged cases, over and above the regular pending workloads, increased from 97,500 pending as of December 31, 1983, to 100,200 pending as of December 31, 1984. This total includes 71,100 cost-of-living review cases and 29,100 reject/review cases from mass mechanical adjustments to include earnings after retirement, as explained in a previous answer. We recently established a special unit to work exclusively on the categories of cases until they are eliminated.

AUTOMATED CLAIMS PROCESSING

Question: Have you completed your new automated processing systems -- if not, when will it be brought on line?

Answer: The new Retirement Claims Processing System (RCPS) is in the early phases of its development life cycle. We expect the project to be completed by September 1987.

The RRB began working with the firm of Booz, Allen and Hamilton in October 1984 to design, develop and implement the RCPS. Since that time, Booz, Allen has been engaged in the following activities.

> Project start-up. During this period, Booz, Allen was staffing up for the project and orienting staff to RRB operations and organizations.
>
> Project planning. During this phase, Booz, Allen formulated a detailed project work plan and approaches for basic project activities such as quality assurance and training.
>
> Project analysis. Booz, Allen evaluated a number of architectural alternatives for the new system and presented its recommendations.
>
> Requirements definition. Booz, Allen began interviewing RRB staff to determine the requirements for the four subsystems which are part of the RCPS. Requirements have been documented for the earnings record maintenance subsystem and are currently being reviewed by RRB personnel. Teams of analysts are simultaneously working on documenting the requirements for the retirement, survivor and Medicare claims subsystems.
>
> System and data base design. Booz, Allen technicians have begun designing the system architecture and developing the data dictionary needed to define the system's data.

To date, we have received the following major deliverables as a result of the above activities.

October 1984	Project plans as follows: Work and Delivery Schedule Management and Staffing Plan Quality Assurance Plan Configuration Management Plan Testing and Evaluation Plan Modelling Plan Training Plan System Backup and Recovery Plan Security, Internal Control and Privacy Plan
January 1985	Project Definition Document
March 1985	Technical Architecture Document Requirements Definition Document for Earnings Record Maintenance

As of May 1985, the project is on schedule with no cost overruns.

WITHHOLDING OF TAXES

Question: How much administrative cost has been involved in creating a withholding system for taxes on Tier II benefits?

Answer: Taxation provisions of the Railroad Retirement Solvency Act and the Social Security Act Amendments of 1983 necessitated that the Board first build a tax accounting system to effect withholding on Tier II, Dual Benefit Payment and Supplemental Annuity components of the railroad benefit. Existing systems provided for neither the component breakdown nor the payment history required for taxation purposes to report benefits paid and repaid and, to properly withhold and account for taxes.

Through the end of March 1985, the Board incurred approximately $1.8 million in administrative costs in building this tax accounting and withholding system.

ADDITIONAL TAXATION OF BENEFITS

Question: The fiscal year 1986 budget proposes to tax as Tier II benefits all Tier I benefits that are not identical to Social Security. What would be required to implement this plan?

Answer: Just for the taxation aspect of this budget proposal, the Board would have to make extensive tax accounting system changes to separate the Social Security equivalent amount from the remainder of Tier I and to account for it as such. Modifications would also be needed to apply the non-Social Security equivalent portion of Tier I against the Tier II contributions to derive the point at which the employee's Tier II contributions have been recouped and Tier II benefits become fully taxable.

Annual reporting forms RRB-1099 and RRB-W-2P would need to be redesigned with Internal Revenue Service approval. Computer systems to report information to the Internal Revenue Service and the Social Security Administration would need to be modified.

The Board would also be responsible for educating its beneficiaries in the changes in benefit structure, tax law and tax liability/withholding requirements.

TIER II TAXES

Question: How much Federal revenue is derived from the Tier II withholding and how much additional revenue could be achieved if the budget proposal is adopted?

Answer: The tax on Tier II benefits currently produces about $200 million per year in revenue. The budget proposal would produce roughly an additional $60 million per year. The additional revenue, however, would not benefit the Railroad Retirement Account due to the maximum of $877 million on the total cumulative amount of Tier II taxes that the Account can receive.

PLANS FOR FIELD OFFICES

Question: The Grace Commission has made several recommendations to increase efficiencies in Government operations. In view of the Grace Commission's recommendation, do you have plans to close any field offices?

Answer: The Board is constantly evaluating the structure of the field service for greater responsiveness, efficiency and effectiveness. Based on estimated workloads, we plan to either reduce staffing or close some low-volume offices. We have reduced the staffing in our regional offices and are presently evaluating their role in the overall structure of the field service.

FUTURE PAYMENT OF UI BENEFITS

Question: Authority of the Railroad Unemployment Insurance programs to borrow from the Railroad Retirement Account terminates September 30, 1985. Will you be able to pay unemployment benefits beyond that date without such borrowing?

Answer: The level of unemployment benefits is extremely volatile. Whether the Board will be able to pay the full amount of unemployment benefit obligations on a timely basis after the termination of borrowing authority will depend on future levels of railroad employment and unemployment. Projections indicate that under an optimistic assumption as to future employment, timely benefit payments could be maintained for an indefinite period. Under a more conservative assumption the unemployment account could be depleted in a matter of two or three months.

Given the volatility of the unemployment program, the Board has developed a contingency plan which will take effect in October 1985 if legislation has not been enacted before that time. The plan involves accelerating employer taxes and reducing the maximum daily benefit rate. The plan is meant to provide the maximum assurance that benefits can continue to be paid on a timely basis, though at the reduced rate.

UNEMPLOYMENT DEBT

Question: Just how much does the railroad unemployment insurance program owe to the Railroad Retirement Account at present?

Answer: As of April 30, 1985, the Railroad Unemployment Insurance Account owed $745.6 million to the Railroad Retirement Account.

CONTINGENCY PLAN

Question: Assuming no legislation is enacted to fix the railroad unemployment insurance program before October, does the Board have a plan for dealing with any crisis that develops? If not, why not? If so, describe it.

Answer: We do have a Contingency Plan for continuing benefit payments beyond September 30, 1985. The Railroad Unemployment Insurance Act gives the Board adequate legal authority to adopt an array of measures to enable the agency to continue benefit payments. Briefly, the Board will (1) suspend repayment of the loans, including interest, owed to the Railroad Retirement Account from the Railroad Unemployment Insurance Account, (2) accelerate employer contributions to require payment on a monthly rather than a quarterly basis, and (3) pay benefit claims at a reduced daily benefit rate of $20 rather than the current maximum rate of $25. In addition, the Board is increasing efforts in its anti-fraud, waste, and abuse programs and its debt collection programs in order to improve the financial condition of the Railroad Unemployment Insurance Account. The Board believes these measures will enable it to continue benefit payments for at least 2 years. However, if those measures fail, then benefit payments would be suspended at any point when the Account is depleted. Payments would resume in order by claim receipt date when sufficient revenues are deposited to the Account.

The Board has adopted temporary regulations to implement the Contingency Plan, which will be effective on October 1, 1985.

COMMITTEE REPORT ON UI

Question: What is being done in response to the House's report concerning the railroad unemployment and sickness insurance program?

Answer: The House report relates to five recommendations made by the General Accounting Office to improve our anti-fraud, waste, and abuse programs. The Board endorsed all five of the recommendations and is proceeding to implement them. All five recommendations are scheduled to be implemented no later than December 1985.

ANNUAL FUND LOSSES

Question: How much money is lost each year through error, fraud, or abuse?

Answer: We do not know the total amount of money lost each year due to the material weaknesses we have identified. The analyses we have performed are limited and cannot be used to project total potential losses.

ADDITIONAL STAFF REQUIRED

Question: How many more FTE's would be necessary to curtail the loss of this money by 50%?

Answer: Although we are unable to project total potential losses due to error, fraud, or abuse, a recent analysis we prepared in response to a request from Congressman Porter indicated we could recover $3 in erroneous payments for each $1 in salary and other administrative expenses by increasing our program integrity efforts in the retirement and unemployment and sickness insurance benefit programs.

As we described in our response to the question on staffing needed to eliminate material weaknesses in our system of internal controls and modernizing our automated systems, we believe the staffing increase that we are requesting -- 202 positions -- will enable us to permanently correct the weaknesses in our systems and provide a greater return in recovered benefit dollars than the additional administrative costs to increase program integrity efforts.

PLANS FOR FIELD OFFICES

Question: In view of the Grace Commission's recommendation, do you have plans to close any field offices?

Answer: The Board is constantly evaluating the structure of the field service for greater responsiveness, efficiency and effectiveness. Based on estimated workloads, we plan to either reduce staffing or close some low-volume offices. We have reduced the staffing in our regional offices and are presently evaluating their role in the overall structure of the field service.

SOLVENCY OF SYSTEM

Question: What is the financial condition of the railroad retirement system -- is the 1983 Solvency Act working as planned?

Answer: The recently-completed actuarial valuation of the railroad retirement system indicates that the system should have no difficulty in meeting its benefit obligations for the next 10 to 20 years. Whether cash-flow problems will develop beyond that period depends on future levels of railroad employment. The Solvency Act is so far working as planned.

PAYMENT OF SOCIAL SECURITY EQUIVALENT BENEFITS

Question: The fiscal year 1986 budget proposes that all Social Security equivalent benefits be paid from Social Security. What would be required of the Board if this proposal were adopted?

Answer: The computation of railroad retirement benefits would, in fact, be made more complex; we would calculate two Tier 1 benefits, the railroad industry pension benefit, then the social security equivalent benefit. Systems, procedures, current legal interpretations and the Railroad Retirement Act itself would require substantive changes to accommodate such a provision.

Implementation would take at least 18 months and approximately 35 staff-years of effort to complete. Such a change would also impact on the Board's efforts to implement an automated claims processing system because the basic claims payment process would be affected. The Board would also need to undertake a massive reeducation effort to have beneficiaries understand the changes; many beneficiaries have had no work under Social Security coverage.

Question: What functions would the Board retain?

Answer: The Board would continue to pay the portion of Tier I that exceeds the Social Security equivalent benefit as well as all Tier II and Dual Benefit Payment amounts. There are approximately 8,400 annuitants on the Board's rolls who are only entitled to a Social Security equivalent benefit amount and do not have Tier II or vested dual benefit eligibility. These are the only beneficiaries for whom the Board would no longer pay any benefits. The Board would continue to pay Tier I benefits that exceed the social security equivalent benefit, Tier II and vested dual benefits for the remaining 954,000 current beneficiaries as well as newly entitled beneficiaries with eligibility for more than just Tier 1 benefits.

The basic functions of the Board would not be diminished. However, performance of the functions would be complicated by the proposal.

EMPLOYEE RETIREMENT COVERAGE

Question: What would be the implication of covering new Board employees by Railroad Retirement instead of social security and any new civil service retirement plan?

Answer: Coverage under the railroad retirement system would have adverse implications on the RRB's administration of its benefit programs as follows:

Hinder new recruitment (except possibly from Railroad industry).

Inhibit transfers to the RRB from other government agencies.

Inhibit mobility of SES employees.

Increase administrative costs:

back records will need to be adjusted with the possibility employees and the RRB will receive refunds from Civil Service;

the payroll system will need to be changed; and,

numerous administrative changes would be needed because the RRB would be out of sync with the rest of Government regulations, issuances and forms.

Since this retirement system would be unique to government and more complex, administrative costs would probably increase.

Many other laws would need to be changed such as Civil Service, Social Security and Worker's Compensation, Health & Life Insurance.

It is also likely the RRB and its employees would be required to make larger contributions to the retirement and unemployment systems than present as shown in the following tables.

Tax Rates for New Employees at the RRB

Currently

	Employer	Employee
Social Security & Medicare	7.05%	7.05%
Civil Service Transitional System	7.00%	1.30%
	14.05%	8.35%

*If new supplement system is implemented, this could be lower in the future.

Under Railroad Retirement Act

	Employer	Employee
Tier I	7.05%	7.05%
Tier II	13.75%	3.05%
	20.80%*	10.10%

*In addition, employer must pay a supplemental annuity tax of $ .20 per hour for each employee. That would be $416 a year for each full-time employee.

Railroad Retirement figures assume no contribution is made to transitional Civil Service system or any new supplemental Civil Service system. Also, RRB may have to pay RUIA taxes (8% of first $600 in wages per month).

UNEMPLOYMENT DEBT COLLECTION

Question: In view of the unemployment money crisis, has the Board taken any recent steps at debt collection under the Railroad Unemployment Insurance Act, or to improve cash-flow in any other way?

Answer: During April 1985, the Board's bureau of unemployment and sickness insurance implemented a debt collection action plan to catch up on debt collection follow-up work that had been deferred because of a heavy unemployment claims processing workload. The plan provides for a series of special actions designed to increase cash collections and to reduce the number of delinquent debts. On April 12, 1985, a notice was released to approximately 5,300 delinquent debtors who owed the Board a total of $3.7 million. The notice demanded payment in full or in regular monthly installments and advised the debtor of the consequences of non-payment.

As of May 15, 1985, we have received almost $97,000.00 in remittances from 945 individuals responding to the notice. The plan calls for additional follow-up actions, on a cost effective basis, for those debts remaining delinquent or which may become delinquent in the future.

In addition, listings were prepared by railroad of amounts owed the Board under section 2(f) of the Railroad Unemployment Insurance Act. A debt occurs under section 2(f) whenever a railroad employee receives guarantee pay or other pay for time not worked for any day for which the employee has received benefits under the Act. A railroad is obligated to withhold from such payments and refund to the Board an amount equal to the amount of benefits recoverable under section 2(f).

Approximately 3,300 cases were identified for which railroads had made such payments and benefits had been determined recoverable under section 2(f), but for which reimbursement had not been received. The total amount due under section 2(f) is in excess of $1.1 million. The lists are being personally delivered to railroad officials by Board representatives. We are requesting the full cooperation of the railroad officials in obtaining prompt payment of the amounts due under section 2(f). Additional follow-up action will be taken as needed.

PLANNING AGENCY STAFFING

Question: Could you review the process by which your agency manpower levels will be established?

Answer: During the past few years our agency staffing level has been finally set by Congress and included in the appropriations language.

The staffing guidance received from OMB each year is significantly lower than the level the agency considers to be the minimum required to carry out its mission. For this reason, the agency develops its internal operations plans based upon a constrained but reasonable ceiling. The "intermediate" level of the budget submitted to the Congress each year reflects that ceiling. Fortunately, the Congress has understood and supported our proposals, and the agency staffing level has remained fairly stable at 1578 full-time equivalent employees since 1982.

However, the lack of assurance of being able to maintain that ceiling until the Congress affirms it, along with the budget, makes it difficult to plan our staffing, hiring, and training programs, and introduces a greater degree of uncertainty into our project scheduling.

The agency has developed its own staff reduction plan which provides for gradual but significant reduction of the ceiling, contingent upon successful completion of our automation programs. It is hoped that our agency ceiling levels will be established in accord with that plan, and that the agency staffing needed to accomplish those goals will be assured during the development cycle.

DATA PROCESSING EQUIPMENT

Question: Why are you leasing equipment for the automated claims processing system?

Answer: Due to budget limitations, no equipment funds are available in the President's budget for purchase. Monies were allowed in the lease object class. Our estimates indicate, however, that approximately $3.2 million could be saved over the system life cycle by purchasing this equipment.

Question: Is the system to be permanent?

Answer: Yes, this is a permanent system.

BALANCE OF TAXES AND BENEFITS

Question: It is frequently asserted that railroad retirement and unemployment programs are a burden to Federal taxpayers, and that the relationship between the two programs is a threat to the financial stability of the retirement program.

Last year this committee suggested that you project the relationship between Tier II and unemployment taxes and the benefit and administrative expenses incurred by the Board in the operation of the rail industry benefits. The information you provided shows that taxes will exceed or nearly exceed expenses for the next few years, followed by a dip to a deficit of about 7 percent of expenses (around $200 million) in 1990. The situation then begins to improve. Could you update these figures and extend the projections for an additional 10 years?

Answer: The following table includes Tier II benefits, the part of Tier I benefits not comparable to social security, supplemental annuity benefits, unemployment and sickness benefits, Tier II administrative expenses and unemployment and sickness administrative expenses under the heading "Benefits and administrative expenses." It includes Tier II taxes, the income tax on Tier II and dual benefits for the period during which they will be transferred to the Railroad Retirement Account, supplemental annuity taxes, unemployment and sickness taxes, and the Railroad Unemployment Repayment Tax under the heading "Taxes." It is important to note that interest income and the remaining dual benefit reimbursement are excluded. Amounts are in millions.

Fiscal year	Benefits and administrative expenses	Taxes
1986	$2,566	$2,807
1987	2,623	2,903
1988	2,702	2,821
1989	2,788	2,744
1990	2,872	2,721
1991	2,948	2,677
1992	3,015	2,670
1993	3,073	2,677
1994	3,123	2,689
1995	3,168	2,702
1996	3,210	2,713
1997	3,249	2,724
1998	3,288	2,736
1999	3,326	2,746
2000	3,366	2,760
2001	3,410	2,780
2002	3,462	2,807
2003	3,523	2,843
2004	3,595	2,886

APPROPRIATIONS LEVEL

Question: What amount of Federal appropriations to the Board for the purpose of reinforcing the retirement fund balance would actually appear as outlays during the period? At what point would taxes exceed expenses?

Answer: We are not aware of any appropriations to the railroad retirement system for the purpose of reinforcing the fund balance. However, if any funds were to be appropriated to the Railroad Retirement Account, they would not appear as outlays until they were expended for benefit payments or administrative expenses. Taxes exceed expenses only for the period 1986-88.

TAX PROPOSAL

Question: Railroad retirement industry pension benefits (Tier II) are taxable as ordinary income, and the social security equivalent portion of Tier I benefits is taxed on the same basis as social security benefits. Certain differences between Tier I and social security are not taxable.

The Administration's FY86 budget proposes to tax the differences between Tier I and social security as ordinary income. How much in tax revenue would you estimate could be acquired by this change?

Answer: The budget proposal would produce roughly an additional $60 million per year. The additional revenue, however, would not benefit the Railroad Retirement Account due to the maximum of $877 million on the total cumulative amount of Tier II taxes that the Account can receive.

ADMINISTRATIVE COSTS OF TAXING BENEFITS

Question: What would be involved administratively in achieving this taxation objective? How much would that cost?

Answer: There is no portion of the benefits paid by the Railroad Retirement Board that is not subject to Internal Revenue tax law. All of Tier I, even if it exceeds the Social Security equivalent, is taxable on the same basis as a Social Security benefit. Since the Tier II benefit is taxed under Interal Revenue Code 72(r) - contributory pension - regulations, the systems that identify the benefit component, account for the paid and repaid amounts, reduce the Tier II tax contribution level by the monthly Tier II received, and initiate withholding would all have to be expanded and the processing software modified. Internal award forms, processing procedures, form letters, informational releases - booklets, check stuffers, and Internal Revenue Service publications - would also have to be changed.

Our beneficiaries would have to be reeducated about tier structure, how cost-of-living increases would be applied, and the application of tax law to their increased, fully taxable income.

We estimate that implementing these changes would take approximately 35 staff years of effort - using personnel fully experienced in tax implementation and the tax accounting systems design and analysis - plus 750 additional hours of computer mainframe time. The total dollar cost would be $1,050,000 plus about $128,000 in increased cost of our contract with Booz, Allen and Hamilton, the contractor developing our new automated claims processing system. We would have to divert experienced people from other projects to implement the necessary changes timely.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

UI RECOMMENDATIONS

Question: In a report dated June 29, 1984, the Labor Management Railroad Unemployment Compensation Committee recommended several items. One in particular was to waive interest payments on the railroad retirement unemployment compensation debt to the railroad retirement fund. Additionally, in a letter sent to the President early last January, the Board provided assumptions of fund balances for the Retirement & Social Security Equivalent Benefit Accounts for 1985-90.

Did you include interest payments on the railroad retirement unemployment insurance debt to the Railroad Retirement Account in those assumptions?

Answer: Payments on the debt were assumed to the extent provided by the Railroad Unemployment Repayment Tax. Additional payments on the debt were assumed to be made in years when the unemployment account was projected to experience an excess of tax income over benefit payments. Total repayments in a year could be either more or less than interest for the year.

Question: Why not? Doesn't the 1983 Solvency Act, which the President signed into law, still provide that these repayments be made?

Answer: The Solvency Act provides only for the Railroad Unemployment Repayment Tax. The Act does not specifically require payment of interest.

Question: It is my understanding that waiving the interest on the Railroad Retirement Insurance Account will result in a loss of roughly $2 billion to the retirement fund. Why are you proposing to waive these interest payments to begin with?

Answer: The Railroad Unemployment Compensation Committee's justification for waiving interest is contained on page 3-8 of its report:

"The Railroad Retirement Account is funded through Tier 2 Railroad Retirement taxes paid by railroad employers and employees. In effect, therefore, the forgiveness of interest on the loans from the Railroad Retirement Account to the RUI Account involves money that the railroad industry owes to itself. Based upon projections by the actuaries of the Railroad Retirement Board, the Railroad Retirement Account should be in a sound financial condition for the foreseeable future, including through the year 2000, even though interest is not paid on its loans to the RUI Account.

"Of the employment assumptions utilized, only the unrealistically pessimistic Employment Assumption III would give rise to financial problems in regard to the Railroad Retirement Account (and that would not occur until the late 1990s at the earliest). In the event that such catastrophic employment conditions should come about, the problems of the Railroad Retirement Account could not be avoided or cured by payment of interest on the advances to the RUI Account. Nonpayment of that interest will amount in substance, therefore, to the diversion of a part of existing Railroad Retirement taxes 'to the Railroad Unemployment Insurance Account to aid in the repayment of its debt to the Railroad Retirement Account' -- a possibility that was contemplated by the Congress in Sec. 502 of P.L. 98-76".

Questions Submitted by Senator William Proxmire

COMMUNICATIONS EXPENSE

Question: Last year's budget for direct obligations against your limitation on administrative expenses stated that you would be spending $7,442,000 for communications, utilities and other rent in 1984. You actually spent only $5,151,000. Can you tell us how you were able to achieve these savings?

Answer: Within that total amount of $7.4 million, $2.3 million was originally budgeted for equipment rental and line costs to support a nationwide data communications network. During fiscal year 1984, we determined that it would be more cost-effective to purchase rather than rent the telecommunications equipment. After obtaining Congressional approval, we reprogrammed the $2.3 million in this object class to equipment and contractual service costs for establishing the network. The funds, therefore, were spent in other object classes, rather than being saved.

GAO REPORT

Question: On February 27 the General Accounting Office issued a report recommending ways to improve your internal controls to curtail fraud and abuse. The GAO apparently advised you that while their proposed recommendations could require additional staff time most could be implemented through the initiation of automated processes by existing staff. Do you agree that most of the changes could be made with existing staff?

Answer: All of the internal controls recommended by GAO are being developed and readied for operation using existing data processing and program staff. Once all the controls are in place, however, the available staff will not be able to investigate and resolve all of the cases involving possible fraud and abuse which are detected. This is especially true of the cases in which the recommended computer matching programs with state agencies reveal possible employment on days for which benefits were paid. A significant number of cases will not be investigated in order to devote the agency's limited resources to investigating cases with the largest potential payback.

USE OF AUTOMATED PROCESSES

Question: What steps are you taking to initiate automated processes using existing staff and what is your timetable for implementing the GAO recommendations?

Answer: Our target dates and specific actions are as follows:

Recommendation 1: Require unemployment insurance claimants to provide evidence of their identity at the time of their initial application and subsequent claims for benefits.

We issued instructions to all unemployment claims agents on December 21, 1984, to require photo identification from all claimants. In April 1985, we issued another circular letter to agents reminding them of the requirement. Our Claims Agent's Guide will be revised by September 30, 1985, to incorporate this requirement in the agents' permanent operating instructions.

Recommendation 2: Require doctors to provide some form of additional identification that would not be known to claimants, such as use of the doctor's taxpayer identification number, when they provide medical information.

This project, which is scheduled for completion by December 1985, is in the early stages of development. We plan to modify our medical report forms to request the physician's taxpayer identification number. The methods of utilizing those numbers for program integrity purposes are being developed.

Recommendation 3: Negotiate with state unemployment agencies to implement a systematic procedure for periodic wage checks for all possible beneficiaries.

Agreements have been negotiated with Illinois, Indiana, Missouri, and Ohio. Agreements have been drafted with Pennsylvania, California, and Texas, and we are awaiting responses from those three states. We expect to have computerized matching programs operational with all seven states by September 1985. Current plans are to add three more states by September 1986.

Recommendation 4: Notify rail employers when a claimant has filed for unemployment or sickness benefits.

As planned, we released a letter to employers in April explaining our proposed notice procedures and requesting the employers' suggestions and support. In July, when a new benefit year begins, we will start sending the notices. These notices will be produced automatically through our computer system.

Recommendation 5: Verify changes of address and instances of multiple benefit checks being sent to the same address.

The computer systems design work for this project was begun in April. The computer programs are expected to be operational in September 1985.

INTERNAL CONTROLS

Question: Why can't you use a portion of the millions of dollars you lapse every year to correct some of the weaknesses in your internal control systems?

Answer: We could if the restriction on numbers of FTE employees were removed or increased. However, it may be late in the year that we know we will have money left over, and it takes time to employ competent people and train them to do the work. What I should like to see is greatly expanded limits on administrative dollars and numbers of employees so that the Board may make administrative decisions regarding both as needs arise, much as is done in the private sector.

RESTRICTIONS ON STAFFING

Question: Mr. Oliver, in your March 4 letter you claimed that each field services staff year spent in controlling error, fraud and abuse in the railroad unemployment and sickness insurance program brings a 500 percent return, but you were able to spend only 4 1/2 staff years in the latest period measured. If this investment produces a five to one return, why won't OMB permit you to increase your staffing in this area?

Answer: I assume OMB would say that, as a federal agency, we can't be increasing our staff while other agencies are being required to cut staff. The fact, however, is that OMB believes there should be no separate RUI. I suspect it believes that forcing us to do a poor job of administration for want of resources will help it accomplish its goal of doing away with RUI as a separate system.

ADDITIONAL STAFFING

Question: Can you tell the Subcommittee how much you could fruitfully spend to control error, fraud and abuse next year in addition to the amounts included in your budget request?

Answer: The Board's budget request for 1986 is $86.5 million in administrative expenses and 1,662 FTE's. In our request letter, we said our staff had recommended--and could justify--$91.7 million and 1,780 FTE's. We could fruitfully spend the entire $5.2 million in controlling error, fraud, and abuse.

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NATIONAL LABOR RELATIONS BOARD

STATEMENT OF DONALD DOTSON, CHAIRMAN

ACCOMPANIED BY ROSEMARY COLLYER, GENERAL COUNSEL

PREPARED STATEMENTS

Senator PROXMIRE. Our next agency this morning is the National Labor Relations Board, and here to present the testimony this morning is Donald Dotson, the Chairman, and Rosemary Collyer, the general counsel of the Board.

Mr. DOTSON. Between us, Mr. Chairman, is our Comptroller, Lee Vincent. As you know, we have diverse, and in some cases statutorily separate responsibilities, so I also have with me the chief judge, Judge Melvin Welles and the Board's Executive Secretary, John Truesdale.

Senator WEICKER. Why don't you proceed. Your statements in their entirety will be placed in the record. Why don't you synopsize that, and we will get on with the questions.

[The statements follow:]

STATEMENT OF DONALD DOTSON

I welcome this opportunity to appear before you as Chairman of the National Labor Relations Board to present the Agency's budget request for Fiscal Year 1986. In accordance with normal procedure, the Agency has already submitted to you a detailed Fiscal Year 1986 Justification. But, with your permission, I would like to touch briefly on some of the highlights of that Justification statement and make a few additional comments as well.

For Fiscal Year 1986, the NLRB is requesting an appropriation of $130,895,000 compared to total anticipated 1985 funding of $136,894,000.

The Budget request before you for 1986 is the product of an analysis of the NLRB's best current estimate of: the number of cases that the Agency will receive in 1986; how these cases will be resolved (that is, whether by settlement, dismissal, withdrawal, trial, etc.); the number of staff-years of employment needed, based on targeted rates of productivity; and, finally, the direct costs and support costs required to handle the anticipated caseload.

The Budget request presented to you today projects that the NLRB's case intake in 1986 will increase by about 5.2 percent, while staff will decrease by about 1.4 percent and funds by 4.4 percent.

The total 1986 cost decrease from 1985 is $5,999,000. This decrease in our request will not in any way negatively affect the Agency's capacity to handle its workload. The decrease arises as a result of three principal factors: a planned reduction in pay of Federal employees; a reduction in total Agency rental space; and a reduction in capital investment.

Although this is a tight budget, it's one that will fulfill the resource requirements of the Agency.

Directly under the responsibility of the Chairman and the Board are the Division of Administrative Law Judges and the staffs of the Board Members. I would like to briefly address these two areas at this time. The General Counsel has statutory responsibility for the investigation and prosecution of cases. She will be addressing these concerns separately.

ADMINISTRATIVE LAW JUDGES

In 1984, our Administrative Law Judges closed 875 hearings, issued 1,030 decisions and obtained 893 settlements, 442 in person and another 451 by means of conference calls. I am gratified to tell you that the number of cases pending a trial before the Division of Administration Law Judges declined for the third year in a row from a peak two years ago of more than 3,100 to 1,094 at the end of Fiscal Year 1984. This decline is continuing into 1985, and the total trial backlog as of 1 March was 848.

Along with a recent decline in case intake a significant factor in this achievement is the emphasis within the Division of Administrative Law Judges, and in the operations under the responsibility of the General Counsel, on settling cases whenever possible. This settlement emphasis is critical, not only because every 1 percent increase in the number of meritorious case settlements eventually saves the Agency over $1 million in litigation costs, but also because the parties themselves avoid the delays and cost inherent in the formal trial process. Many of these cases, if not settled, would not only have to be tried before an Administrative Law Judge, but would be appealed to the Board and the Courts of Appeals as well.

BOARD MEMBERS' STAFFS

Under present Budget estimates the Board Members will be faced with the formidable task of deciding 1,320 contested unfair labor practice cases in 1985 and 1,320 in 1986. In 1984, the Board decided 953 unfair labor practice cases and 393 election cases. Present estimates call for the Board to decide 488 contested representation cases in 1985 and 465 in 1986.

The output of Board decisions in 1984 was again affected by the turnover of Board Members as well as by the difficulty of the issues which confronted us. We are, however making progress in lowering the Board's backlog of undecided cases. The backlog reached its all time high of 1,647 unfair labor proctice and representation cases in February, 1984. At the end of March, 1985 the backlog had declined to 1,198 cases, a drop of 449 cases or more than 27 percent. In the first six months of this year the Board set a first half of the year record for the issuance of contested unfair labor practice decisions. This budget anticipates that the NLRB will have a full 5-member Board in the near future and that the Board will continue to reduce the number of cases awaiting its decision.

There has been an increase recently in the number of representation matters coming to the Board for decision, and I should also note that, in addition to numerous initial decisions in contested election cases, the Board also rules on several hundred other appeals and requests for review of decisions by the Regional Directors. In these types of cases, our budget also provides for keeping current despite an increasing workload.

CONCLUSION

It is my firm belief that the process afforded by the NLRB to resolve conflict is valuable and that it is essential that the Agency receive its requested funding. It is my intention to assure that the Agency will do all that is possible to resolve the labor disputes within its jurisdiction in a timely, professional manner. I offer you my further commitment to assuring that the NLRB's mission is carried out expeditiously and in the most cost-effective manner.

Statement of Rosemary M. Collyer

Mr. Chairman and distinguished members of the Subcommittee: This is my first opportunity to appear before you as General Counsel of the National Labor Relations Board and in support of this Agency's budget request for Fiscal Year 1986. I have been General Counsel for six months and continue to be impressed with the staff's dedication to the mission of the Agency and to the prudent use of the funds entrusted to the Agency.

For Fiscal Year 1986 we have a budget request for $130,895,000, a decrease of $5,999,000 from the 1985 total funding of $136,894,000. Although smaller than the 1985 appropriation, the NLRB's 1986 request will support all normal Agency casehandling operations. It will provide the necessary funds to process 38,428 unfair labor practice cases and 9,540 representation petitions; a total case increase of about 5.2 percent over 1985. All of these cases will be initially processed in one of the regional offices under the General Counsel's responsibility. The total 1986 staff request for the Agency is for 2,603 FTE.

As part of the normal budget process, the Agency has already submitted a detailed "Justification of Estimates for Fiscal Year 1986". Because of the importance of the Office of the General Counsel in the casehandling and administrative functions of the Agency, I would like to take this opportunity to review in greater detail the responsibilities of my office, highlight the accomplishments of Fiscal Year 1984, and talk about the outlook for Fiscal Years 1985 and 1986.

RESPONSIBILITIES OF THE OFFICE OF THE GENERAL COUNSEL

As you know, the National Labor Relations Act (29 U.S.C. 141-167) provides that "the General Counsel shall exercise general supervision over all attorneys employed by the Board (other than Administrative Law Judges and legal assistants to Board Members) and over the officers and employees in the Regional Offices. He shall have final authority on behalf of the Board, in respect of the investigation of charges and issuance of complaints under Section 10, and in respect of the prosecution of such complaints before the Board, and shall have such other duties as the Board may prescribe..."

As a result of this statutory authority, the General Counsel supervises the Agency's field establishment of thirty-three regional offices. It is those Regional Offices that receive unfair labor practice charges, investigate them, determine their merit, and then as to those deemed meritorious, settle or prosecute them. Under authority delegated by the Board, the Regional Directors also receive and process representation petitions; determine appropriate units for employee representation; conduct elections; resolve allegations of objectionable election conduct, and certify election results. Additionally, the General Counsel enforces Board decisions administratively or by litigation in the Circuit Courts of Appeal.

The Agency does not have complete control over its case intake, and it must respond to all inquiries concerning possible violations of the National Labor Relations Act. When an unfair labor practice charge is filed at one of the Agency's thirty-three regional offices, 3 sub-regional offices or 16 resident offices, it begins to move through what can be described as a case-handling "pipeline". The newly filed charge is investigated first for merit and, if found to be meritorious, the parties are encouraged to settle without further action. Non-meritorious cases are withdrawn or dismissed. If a case is found to have merit and no initial settlement is reached, then a complaint is issued and a hearing held before an Administrative Law Judge. Following the hearing and the Judge's decision, there may be further appeals to the Board and the Courts of Appeal. At any point in the process, the parties may reach a settlement agreed to by the Agency, alleviating the need for further proceedings.

Because each unfair labor practice charge brought before the Agency must be resolved and because an even greater amount of time must be devoted to achieving the resolution of a case the further it proceeds along the Agency's casehandling "pipeline", we have defined four major objectives which must be met in order for the Agency to effectively enforce the NLRA and thereby facilitate the nation's economic growth. These objectives are: first, to carefully screen out clearly non-meritorious cases; second, to maintain the NLRB's traditionally high settlement rate; third, to continue to develop more efficient means of casehandling in order to process quickly and fairly the maximum number of cases; and fourth, to achieve these objectives with a commitment to maintaining and even improving the quality of our service to the public.

In order to meet the first challenge, the Office of the General Counsel utilizes an intensive public information officer program in our field offices. This program seeks to provide help to those who contact our offices about their concerns. Careful attention to it assumes that we can screen out many non-meritorious cases at the pre-filing stage, thus reducing the amount of Agency resources which would otherwise be expended in resolving these charges if they were filed. It is through the administration of this important program that many thousands of persons are provided with guidance as to what this Agency can and cannot do for them, and as to whether or not they should file a charge. The effectiveness of this program is demonstrated by the fact that during Fiscal Year 1984 this Agency's field offices handled over 203,815 such contacts from employees, unions and employers, of which only about 13,295 resulted in the filing of an unfair labor practice charge. (Approximately 21,560 additional charges were filed directly during FY 84.) Thus, the Regions acted to minimize the chances of unnecessary case filings that, had they been filed, would have drained already limited resources.

The second challenge, achieving the maximum number of settlements, involves a great deal of preparation, time, and effort on the part of Agency staff. Before, during and after hearings, the Administrative Law Judges will also aid the parties in an effort to reach an equitable settlement. Even in the highly simplified picture of the Agency's case "pipeline" just discussed, it is apparent that as a case progresses from the initial investigation by our field staff to its litigation in the courts the drain on Agency resources becomes increasingly severe. In fact, a decrease of 1 percent in the settlement rate for meritorious cases may result in an additional cost to the Agency of more than one million dollars by the time all of the work generated by fully litigating such cases is completed.

The third challenge faced by the Office of the General Counsel and the rest of the Agency is the ongoing necessity of quickly processing the maximum number of cases within the NLRB's budget constraints with fairness to all concerned parties. The NLRB has a long history of increasing its level of productivity and its success has been documented by the Bureau of Labor Statistics, the Office of Personnel Management and by the Comptroller General.

Finally, and importantly, we are committed to providing quality services to those who are involved in Agency proceedings.

Accomplishments in Fiscal Year 1984

The record of the Office of the General Counsel in 1984 reflects the careful attention given to our obligations under the NLRA and to our obligation as stewards of public funds. Both the Washington and Field offices under the General Counsel's responsibility have consistently been able to maintain a high level of service to the public. These staffs are composed of hard working and dedicated public servants and it is their commitment, combined with the assistance of this Committee, that has made this fine record possible.

The NLRB's level of service is reflected in these 1984 operating results:

1. Case Intake. The Regional Offices accepted and began processing approximately 43,426 total cases. The 34,855 unfair labor practice cases filed are a decrease of 12.9 percent from those filed in Fiscal Year 1983. There were 8,571 representation cases filed, a decrease of 2.7 percent from 1983.

2. Unfair Labor Practice Case Dispositions. Of the unfair labor practice charges filed, 34.1 percent were found to have merit, down slightly from the 34.8 percent in 1983. The settlement rate was 95.8 percent, an increase from 93.5 percent in 1983. A total of 3,609 complaints were issued in a median time of 45 days, the same as 1983. The Agency closed approximately the same number of cases as were received.

3. Litigation Results. The 72.0 percent of Board and Administrative Law Judge decisions won in whole or in part in Fiscal Year 1984 is a small decline from the 79.0 percent and 80.9 percent litigation rates of Fiscal Year 1983 and Fiscal Year 1982, respectively.

4. Representation Case Performance. The regional offices conducted about 5,141 elections of which 84.0 percent were pursuant to agreement of the parties; in 1983, the corresponding figures were 5,018 elections and 81.9 percent agreements. Regional directors issued 1,012 decisions in contested representation cases after hearing in a median time of 41 days, compared with the 1,056 decisions, issued in a median time of 40 days, in 1983. There were 1,393 initial representation and union deauthorization hearings in 1984, compared with 1,416 in 1983.

5. Productivity. In 1984, productivity was affected by a decline in case intake which was greater than staff attrition. Productivity is scheduled to increase substantially in 1985 as the 1984 imbalance between caseload and staff is rectified and to increase about 5.6 percent more in 1986.

6. Injunction Activity. The Division of Advice processed 195 requests for Section 10(j) relief during Fiscal Year 1984, an increase of 36.9 percent from 1983. The Board authorized injunctions in 30 of these cases as compared to 51 in 1983.

   The Regional Offices filed 95 petitions for Section 10(l) injunctions with the appropriate U.S. District Courts. In 1983, 116 petitions were filed.

7. Appellate Litigation. In Fiscal Year 1984, 259 cases were decided by the United States Courts of Appeals compared with 338 in Fiscal Year 1983. Of these, 67.2 percent were enforced in full and a total of 81.1 percent were won in whole or in part, compared with 81.7 percent in Fiscal Year 1983; 8.5 percent were remanded entirely compared with 5.9 percent in Fiscal Year 1983; and 10.4 percent were entire losses compared with 12.4 percent in Fiscal Year 1983.

These are but a few of the achievements this past year. I am particularly proud of this Agency's settlement record and the time statistics described above. Taken together with the very favorable comments of practitioners from across the country about the quality of the service they receive, they reflect the truly outstanding commitment of the Regional and Washington staffs.

Outlook for Fiscal Year 1985

For 1985, the offices under the General Counsel are operating effectively and efficiently. Tight control continues to be exercised over expenditures to ensure effective use of the Agency's resources and our staff level is being permitted to decline to a lower level to be in balance with workload. Once this balance is achieved, we estimate a substantial productivity increase.

Outlook for Fiscal Year 1986

If the level of workload estimated for 1986 is reached, the Office of the General Counsel will face the considerable challenge of achieving a 5.6 percent increase in productivity over 1985. If accomplished, this will result in the Agency surpassing its historic best level of performance. I am confidant that, with the dedication and hard work of our employees and the thoughtful direction of our managers and supervisors, we can meet our goals.

Despite our efforts, though, we cannot expect that the settlement experience of Fiscal Year 1982 through 1984, averaging over 91 percent, will necessarily continue into Fiscal Year 1986. Thus, we have estimated that the settlement rate for 1986 will not exceed 90 percent. Further, we must anticipate that the settlement rate could eventually return to the more traditional 83-86 percent level. However, the Fiscal Year 1986 Agency employment requested is expected to be sufficient, especially with the Agency's expectation of substantial results from the various training and other programs now underway and the beneficial result of properly balanced staffing.

CONCLUSION

As NLRB General Counsel, I pledge that my staff and I will continue to do our best to meet the challenges of administering the NLRA.

I would like to thank the Committee for the opportunity to appear before it and for the support you have shown the National Labor Relations Board over the years.

SUMMARY STATEMENT

Mr. Dotson. The statement is short, and I don't have much to add to it.

As you know, the Board's primary concern and preoccupation in the last 2 years has been its decisionmaking responsibilities because that is where most of our problem has been.

In terms of the budget, as usual, most of that is devoted to the general counsel's activities, investigating and prosecuting unfair labor practice cases. I will give most of the time to the general counsel.

Ms. Collyer. Thank you and good morning, Mr. Chairman, Senators, and members of the committee.

This is my first opportunity to appear before you as general counsel of the National Labor Relations Board. It is a great honor for me to have this position, and to be associated with this agency which I think is one of the best in the Government in terms of efficiency and response to public needs.

I have previously appeared before this committee as Chairman of the Federal Mine Safety and Health Review Commission and have always been able to work successfully with the members and with the staff. I look forward to doing that as general counsel.

We are here today to support our budget request for $130,895,000, which is a decrease of almost $6 million from our 1985 funding. We believe we can operate successfully and respond to the requirements of the agency's mission on the basis of the budget we have requested, and we urge your successful consideration of our request.

Other than that, I stand ready to answer any questions that anyone has.

ADEQUACY OF BUDGET REQUEST

Senator Weicker. Last year, you provided the committee with a table showing that in cases requiring formal agency disposition that in 1982, 205 days elapsed between filing and decision made by the Board. In 1983, it increased to 230 days. What was the time required in 1984?

Mr. Dotson. Two-hundred and forty-six.

Senator Weicker. So in the last 3 years, you have gone from 205 to 230 to 246 days. The request is down by about $6 million this year; is that correct?

Ms. Collyer. Yes, sir.

Senator Weicker. In light of that record, don't you think that maybe this budget request is inadequate to the point where this factor could very well increase. I see that your full-time employees are down by 37 also. How are you going to reverse those statistics in light of this dollar amount?

Mr. Dotson. I don't believe the problem with the statistics has to do with the budget. Most of the budget request is based on our projection of case intake and our ability to handle that, most of which has to do with investigation and trial of cases.

The bottleneck in connection with the statistics has been at the level of decisionmaking by the Board. I don't see that problem as being related to funding. I believe it has to do with the turnover of Board members and the vacancies that have been allowed to exist on the Board.

BUDGET FOR PAST YEARS

Senator Weicker. Do you have your budget man here?

Mr. Dotson. Yes, sir.

Senator Weicker. In the years, 1982, 1983, and 1984, what has been the budget in those years?

Mr. Vincent. Mr. Chairman, the budget in 1982 was just $117 million. We went up to $126 million in 1983, and then to $133.6 million in 1984. This year, we were authorized $137.9 million.

Senator Weicker. You went from $117 million to $126 million, to what in 1984?

Mr. Vincent. In 1984, it was $133.6 million.

Senator Weicker. I certainly agree with you, the statistics support what the Chairman is saying. Something is wrong, and you are right, it is not money.

Mr. Dotson. I think that something has been wrong in the past, and we are moving to correct it. As you may know, we have broken the productivity record for the first half of this fiscal year. I think that we have identified some ways to bring on new Board members that will allow them to become productive more quickly as Board members than we have in the past.

I believe that this is where the problem has been, and I think we are moving to rectify it.

Senator Weicker. Senator Proxmire.

ANNUAL REPORTS

Senator Proxmire. Mr. Dotson, I understand that the Board has not submitted an annual report to the Congress in December 1982, when it submitted its fiscal year 1981 report.

Why are you 3 years behind schedule in submitting annual reports to the Congress?

Mr. Dotson. Most of this has to do with bringing in a new computer, changing over to the computer, and some technical problems that have been connected with getting that computer on line.

Senator Proxmire. Can you tell us when you expect to be able to submit a report to the Congress?

Mr. Dotson. I think the best answer to that can be given by the Board's Executive Secretary who is here.

Mr. Truesdale. The annual report for 1982 is completed except for two of the statistical tables which are an essential part of the annual report. It is anticipated that those will be done by June of this year. The text of the annual report has been completed for some time.

The problem is that each year, the statistical tables have to be built on the prior year so that until the 1982 problems are ironed out——

Senator PROXMIRE. How long will it take you to get us a reasonably up-to-date annual report? It is good to get a 1983 report, but we are still very far behind.

Mr. TRUESDALE. We anticipate having all three of the reports this year. Once those problems are ironed out, we will be able to get the report itself out very promptly.

SETTLEMENT RATE

Senator PROXMIRE. Thank you, sir.

Ms. Collyer, on page 3 of your statement you talk about maintaining NLRB's traditionally high settlement rate.

Ms. COLLYER. Yes, sir.

Senator PROXMIRE. On page 5, you mention a settlement rate of 95.8 percent in 1984. Last year Mr. Dotson referred to an average settlement rate over the years of 85 to 86 percent.

How do you account for the fact that your settlement rate last year was 10 percent above the historical average?

Ms. COLLYER. Senator, starting in 1982, the Office of the General Counsel initiated a program which emphasized settlement possibilities. One of the reasons for that was that settlement contributes to better labor-management relations far better than does litigation.

Another reason, frankly, was that the agency was experiencing very difficult budget problems in 1982, and for every case that we don't have to try, we save many scarce resources.

As a result of that effort which includes, since 1982, efforts on the part of the administrative law judges to try to settle cases before trial, we have been able to increase the settlement rate from the traditional 83 to 85 percent up to this year where it is approximately 96 percent, or 95.8 percent.

We hope to continue that settlement rate. We think that that does make a major contribution to employee and labor relations. We don't budget for the continuation of exactly that same high settlement rate because we cannot depend on that from year to year.

REASONS FOR HIGH SETTLEMENT

Senator PROXMIRE. As I am sure you know, labor has argued that the Board's decisions have become much more promanagement over the last few years. Do you think this perception, plus the long delays encountered recently in getting a decision out of the Board, resulted in an increased willingness on the part of labor to reach a settlement prior to Board consideration?

Ms. COLLYER. I don't believe so, Senator, because the settlement has to be approved by the regional director, if it is before a hearing opens, or by the administrative law judge if it is after the hearing opens. We take those responsibilities very seriously.

Senator PROXMIRE. Labor expects to take a beating anyway, they would be more likely to settle. Knowing that there is no way they can win, why not get it over with?

Ms. COLLYER. It has not been our experience, Senator, that that is the cause of settlements. The agency has always been able to obtain a very high settlement rate. We are only talking about settling the meritorious charges.

Senator PROXMIRE. But not as high as what we have now.

Ms. COLLYER. That is absolutely correct, and the reason that it is higher is because regional directors personally get involved in settlement conferences now rather than leaving it to staff attorneys. Administrative law judges hold telephone conferences 2 weeks before a trial date in an attempt to elicit a settlement that is satisfactory. We do not accept a settlement that is a sellout. We will only settle a case for the appropriate remedy that we would be able to obtain if we litigated. We have a public obligation to do that.

Senator PROXMIRE. What is your answer to the argument that your increased settlement rate has an aspect of coercion to it, since it may be forced in part by promanagement Board decisions and Board delays?

Ms. COLLYER. I think that is just a misperception, Senator. I do not believe that we coerce anybody into settlement.

MEDIAN TIME TO DECIDE CASES

Senator PROXMIRE. Mr. Dotson, there seems to be a discrepancy between this year's justification and a table submitted for last year's hearing record regarding the median time it took the Board to decide a case in 1982.

The table contained on page 20 of the justifications shows that it took a median time of 430 days to decide a case. However, the table submitted for last year's record shows a median time of 633 days. Which figure is correct?

Mr. DOTSON. I am told by the Comptroller that we received later and revised information from the Executive Secretary.

Senator PROXMIRE. So the 633 days is not correct, and the 430 days is the accurate number?

Mr. DOTSON. Yes, sir, that is correct.

Senator PROXMIRE. At any rate, the time taken by the Board to decide cases has escalated dramatically. The median time for filing for Board decision, according to the table on page 20, went from 430 days in 1982 to 627 days. You have corrected that, but it is still higher. To put these figures in some historical context, it should be noted that the longest median time prior to 1983 from filing to Board decision was 490 days in 1981. The shortest time was 326 days in 1963.

Why did the time taken to decide a case go up by almost 50 percent in 1983?

Mr. DOTSON. I think there are several factors there. We have already talked about the bottleneck at the Board just on decisionmaking, and the turnover. I think we should also point out that a little over 2 years ago, when I became Chairman, I inherited the largest backlog in the history of the Board. It continued to go up for a while as a result of the new member turnover. It is now coming down.

Another factor, we feel, is the expansion of our jurisdiction standards as a result of inflation. The Congress has also brought under our jurisdiction health care institutions which presented some difficult problems. The Post Office, which has become our largest customer, provided us with a lot of cases which, in the context of historical experience, we would think of as rather small cases.

So it is a combination of things, but we think that it is turning around.

Senator PROXMIRE. How long do you estimate the median time for deciding a case will be in 1985 and in 1986?

Mr. DOTSON. I would be afraid to hazard an estimate. I feel that it should go down. I feel very strongly that it should go down. We are on a trend now of clearing up the worst aspect of the bottleneck. The record of the administrative law judges is, I think, very good and improving. I think the general counsel is bringing some real progress to the problem. The indications are that it should be down.

Senator PROXMIRE. What is your latest figure?

Mr. DOTSON. The one in the table.

EQUIPMENT PURCHASES

Senator PROXMIRE. I just have two more questions.

Last year's budget appendix indicated you would be spending $531,000 in equipment in 1984 and $588,000 on equipment in 1985. You have since revised those estimates upward to $1,897,000 for 1984 and $2,978,000 for 1985. Why were your initial estimates so wide off the mark? This is an enormous increase percentagewise.

Ms. COLLYER. Yes, it is, Senator, we agree. The reason for the increase last year was a new computer system for case tracking. We had a very antiquated system that didn't allow us to keep control of the caseload and make sure that things were done on a timely basis, which is obviously critical. Therefore, we have instituted a new Case Handling Information Program. The cost of the new program during last year is reflected in the figures you mentioned.

For 1985, the moneys that we have outlined to the committee will be spent on word processing equipment. This is being done at the encouragement of OMB in order to maximize our support staff efficiency, and minimize the need to add people. We presently have over 500 clerical support staff individuals, and only about 45 pieces of up-to-date word processing equipment. So we are putting in word processing machines in all of the regional offices that will be up to date and will be able to, if I can use the word, talk one to the other, and also talk to Washington.

DIVISION OF JUDGES

Senator PROXMIRE. Finally, Mr. Dotson, the question on the division of judges. In 1986 you are requesting support for 168 full-time equivalent positions in your Division of Judges, a reduction of 6 positions below your 1986 estimate. On the other hand, that Division is assigned 215 permanent positions in both 1985 and 1986. This means that you will have those 215 positions filled less than 80 percent of the time. Why are you falling so short of filling your permanent positions in this area?

Mr. DOTSON. There just doesn't seem to be a problem in handling the workload there. The projections are such that it doesn't appear that we will have a problem.

Senator PROXMIRE. Is that not the reason for the long delays?

Mr. DOTSON. No, sir.

Senator PROXMIRE. Thank you, Mr. Chairman.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. Thank you very much.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

MEDIAN TIME FOR ELECTION CASES

Question. Last year you provided the Committee with a Table showing that in cases requiring formal Agency disposition that in 1982, 205 days elapsed between filing and decision made by the Board. In 1983 it increased to 230 days. What was the time required in 1984?

Answer. The figures given in the question are medians for election cases: from filing of petition to issuance of Board Decision, 205 days in 1982, 230 days in 1983. The figure for 1984 was 296 days.

It must be noted, first, that only the most difficult representation cases are transferred to the Board for decision. Only 12 such cases were decided by the Board in 1984 in a median time, as noted, of 296 days. The great majority of the cases, 1179, were decided by the Regional Directors in a median time of 44 days from filing of petition to decision. Also, as has been stated elsewhere, because of great turnover at the Board Member level, a very large number of cases posing major issues accumulated at the Board. As the Board works its way through this backlog, many of the decisions involve older cases, thus raising the median initially. But as the backlog is further reduced, we will be able to get this median down substantially, hopefully below even our traditional experience.

REDUCTION OF BACKLOG

Question. You also stated that while the pending case load was high in March of 1984 (1790) that the number was a decrease over the amount in February and in the Board's view the beginning of a decline in the pending caseload. Has that prediction held up?

Answer. Yes. The 1790 figure used in the question was the combined pending unfair labor practice and election case figure --assigned, awaiting assignment, and awaiting exceptions. Because many of these cases are closed without an exception having been taken to the Board, a better measure is the number of cases assigned and being worked on. This peak combined figure was 1647 in February 1984. On 1 May 1985 that figure had gone down to 1163, a decrease of more than 29 percent. Even using the 1790 approach, there has been a reduction of 461 cases (to 1329), a decrease of 26 percent.

PRODUCTION GOAL

Question. Last February you established a production goal of issuing 125 contested unfair labor practice decisions per month in order to reduce a growing case backlog. How often have you met this goal, and will the goal significantly reduce your case backlog?

Answer. In the 15 months beginning February 1984, the Board has met or exceeded its goal of 125 cases four times, and has come very close three times. The monthly average has been 94. We have significantly reduced the backlog with that average as noted in the answer to the previous question. At a sustained rate of 125, the reduction could, of course, have been greater.

AGENCY RESOURCES

Question. Does the NLRB's present resources (i.e. dollars and staff) allow for the increased production to be met while at the same time for a full, fair and complete hearing of the merits of each case?

Answer. Due to the fact that our present budget (1985) was based on a higher level of intake than we are currently experiencing, there is adequate capacity to handle our current workload. For 1986, we believe that the requested level will, with the productivity increases we hope to bring about, permit us to accomplish more work with a slightly lower number of employees. The Board Members' staffs however, would not be reduced, and we are confident that the Board can continue to reduce the number of pending decisions substantially with the current level of staffing.

In sum, we believe that the appropriation request before you is fully adequate to meet all of our standards for quality and timeliness at each stage of casehandling.

RULEMAKING

Question. I understand that under Section 6 of the National Labor Relations Act the Board has the authority to use "Rulemaking" to change case law. Would rulemaking by the Board increase its efficiency, and if not, why not?

Answer. This is a subject upon which Board Members have different opinions. See the several points of view set forth in St. Francis Hospital, 271 NLRB No. 160, for example. Some think rulemaking would increase the Board's efficiency by requiring the Board to focus on those elements of similar cases which are truly important, and by giving the parties and the Bar bright-line tests by which their future conduct could be guided. To the extent such efforts were successful, the Board would be more efficient in the sense it would be spared the continual relitigation of relatively straightforward issues. On the other hand, it cannot be denied that, at least at the outset, rulemaking would require the expenditure of greater amounts of manpower to establish the rules. Moreover, many doubt that the problems coming before the Board lend themselves to relatively rigid rules. If the latter were to prove to be the case, rulemaking would spawn even more litigation, requiring in the long run, even more manpower.

Question. What impact would rulemaking have on the manpower needs of the NLRB?

Answer. In view of the potentially offsetting factors mentioned in the previous answer we cannot say it is likely that, after the initial utilization of substantial staff resources to issue a new body of rules, there would in fact be a compensating reduction of staff needs in the future.

BOARD DECISION DEADLINE

Question. Under current practices, it is argued that if the Board fails to set specific and reasonable timetables for issuing decisions, one Member can hold up a case for a long time without accounting to anyone. To what extent would establishing a stated deadline period for Board members to decide a case contribute to effective and efficient operations?

Answer. The Board does have a stated deadline period for Board Members to decide a case, characterized as "time targets." The time for Stage I (assignment through initial action -- the subpanel) is 3 weeks. The time for Stage II (initial action to circulation of a draft) is generally, with some exceptions, 3 weeks. The time for Stage III (circulation to approval or clearance by all Members) is also 3 weeks. In addition, the Board has a procedure that when the majority of the Board has agreed on its opinion, a date is fixed for circulation of a dissent or concurring opinion, in the absence of which the decision may issue without it. Thus, in normal times one Member cannot hold up a case for a long time. Currently, this procedure is applied only to major issue cases and only when the Board has four or more Members.

The time targets for Stage I are almost always met, but delays in Stages II and III do occur. During these difficult transitional years in which there has been high turnover at the Board Member level and consequent accumulation of major-issue cases at the Board, it has not been feasible to enforce these time targets. As the backlog returns to manageable proportions, and the Board achieves full membership for the first time in nearly two years, the Board can again focus on adherence to its case-management goals. If the question contemplates a statutory stated deadline period, it is difficult to see how it could be enforced, and it might be counterproductive rather than contribute to effective and efficient operations. When the Board is at full strength, and as Board positions on major issues are clarified, the Board should match or exceed the performance of the past.

Question. In what ways would establishing a specific deadline for issuing decisions affect the manpower needs of the Agency?

Answer. It is doubtful whether establishing a specific deadline would affect the manpower needs of the Agency, for the bottleneck lies not at the staff level but at the Board Member level. Increasing the number of Board Members (which has been considered but not adopted by Congress in the past) would create other problems and would probably lengthen rather than reduce the length of time to issue decisions, particularly in major-issue cases.

QUESTIONS SUBMITTED BY SENATOR MARK ANDREWS

CONTINUED DECLINE IN BOARD BACKLOG

Question. According to a release dated Thursday, April 4, Chairman Donald Dotson noted a substantial increase in the number of contested unfair labor practice decisions from any point in the Board's history. Do you see this trend continuing?

Answer. Yes. As of 1 May 1985 the backlog had gone down again and stands now at a combined total of 1163 cases, down more than 29 percent from the February 1984 peak of 1647 cases. This continued decline in the case backlog has been achieved at a time when the Board had only three or four of its statutory five Members. We are about to get two new Members and in the short run their arrival may slow down to some extent the current rate of decisions so as to preclude achievement by the Board this year of a record number of decisions. In the long run, however, there is no question but that restoration of the Board to full strength will make substantial inroads into the number of cases pending and assist the Board to increase its decisional output.

SUFFICIENT RESOURCES

Question. Yet you believe your current budget request will enable you to carry out your responsibilities, despite an increase in the caseload?

Answer. Yes, we do. We have estimated the number and type of cases that are likely to need resolution at each stage of our pipeline during Fiscal Year 1986, and we are satisfied that a caseload increase of around five percent can be processed without additional staff and within the funds we have requested.

BOARD MEMBERS

Question. Last year you stated that a major reason for case backlog before the Board was Board turnover. In fact, since 1979, the Board has had a full complement of five Members only 28 months out of 50. How many Board members are presently sitting, and how much turnover have you had in the last 18 months?

Answer. There are presently three Board Members sitting. Member Jenkins' term expired in August 1983, and Member Zimmerman's term expired in December 1984. Since December 1979 eleven different persons have served on the Board.

Question. Have you discussed this problem with the White House?

Answer. The White House was aware of the fact of existing or pending vacancies, either directly or through public comments or testimony of the Agency. The President has nominated Wilford W. Johansen of California and Marshall B. Babson of Connecticut to be Members of the Board. (Their appointments were confirmed by the Senate on May 23, 1985.)

TRAVEL OF BOARD MEMBERS

Question. It has been suggested that travel by Board Members to out-of-town labor law conferences and seminars be curtailed so that their time and effort could be directed to decision making. How much would it save in the budget to significantly curtail all out-of-town travel for all Board members for one year? Two Years?

Answer. There is approximately $50,000 in each year's budget for travel by Board Members and their senior staff. If such travel were curtailed, they would of course have somewhat more time for decision making but at a cost to the Agency of better understanding by the public of the Board, its decisions, and its procedures. The Board Members would also lose the benefit of gaining a better undersanding of problems in "the real world," and of visits to NLRB field offices. The Board Members are conscious of their primary duty to decide cases and the need to balance this function with their important role to further public understanding. They make every effort to schedule speaking trips to minimize interference with decision making.

Question. On the average how many conferences and seminars are attended by individual Board members, and what is the general purpose of these trips?

Answer. In Fiscal Year 1983 the Board Members made an average of 12 trips each out of Washington, D.C., ranging from a low of four for Member Dennis to a high of 20 for Member Zimmerman. In Fiscal Year 1984, the average was 16, ranging from a low of 13 for Chairman Dotson and Member Hunter to a high of 22 for Member Zimmerman.

The purpose of such trips was usually to speak to conferences and seminars of persons in the labor-management relations community, but also included NLRB regional office visits and meetings of the American Bar Association and its constituent units.

CASE INVENTORY

Question. In 1984 you estimated your case inventory of 52,000 cases. How many of those 52,000 cases are still on your books?

Answer. To first clarify the estimate of 52,000 cases, that was an estimate of the total number of cases we would receive or have in process during the course of the whole year. Actual intake of new cases in 1984 was 43,426. As indicated in the table on page 20 of our Justification the great majority of cases are disposed of in between 40 and 50 days after they are filed. While we do not have a current computer count of pending cases, the normal workload throughout the Agency is considerably below 20,000 cases pending at any given time, and many of those are in the compliance stage. By the time of this hearing only a very small percentage of cases filed during 1984 would still be pending resolution. Those would be the more complicated cases and those which had to be fully litigated, and as can be seen from the chart on page 15 of the Justification only about three percent of cases go through the formal stages of case processing.

CASELOAD PER EMPLOYEE-YEAR

Question. What is the current caseload for each full-time equivalent (FTE)?

Answer. Based on our expected FTE of 2,640 in 1985 and our case intake estimate of 45,598, there would be a ratio of 17.3 cases per employee. On that basis, of course, we are considering the relation of caseload to administrative support employees and management officials as well as direct professional employees. It would be more informative to point out that in the preliminary and informal stages through which we dispose of at least 90 percent of the cases, our professional employees dispose of an average of 50 or more cases per staff-year. The rate declines, of course, as to those cases which go into formal litigation stages. In 1986, with the expected increases in case intake and productivity, the overall ratio will increase to 18.4 from 17.3.

MEDIAN TIME

Question. What is the average time length for each election case and unfair labor practice case?

Answer. We find that the median time to dispose of cases is the most meaningful measure. Thus, referring to the table on page 20 of our Justification, the great majority of unfair labor practice cases are disposed of in a median of 41 days. Most of the representation cases are completed in a median of 50 days including the conduct and certification of the election.

PENDING CASES

Question. What are the Board's oldest pending cases?

Answer. The ten oldest cases pending at the Board are:

1. International Union of Operating Engineers, Local No. 701, AFL-CIO, Oregon Columbia Chapter, the Associated General Contractors of America, Inc.
   (Howard S. Lease Construction Co., and Associates)
   36-CE-13
   Assigned 8/5/77

2. Orange Belt District Council of Painters No. 48 AFL-CIO, CLC (Maloney Specialities, Inc.)
   21-CC-1873 21-CE-178
   Assigned 4/2/79

3. Construction, Building Materials & Miscellaneous Drivers, Local No. 83, a/w Intl. Bro. of Teamsters (John Cahill d/b/a Cahill Trucking Company)
   28-CC-627, 28-CE-28
   Assigned 7/18/79

4. Associated General Contractors of California, Inc. (California Dump Truck Owners Association)
   20-CE-148, 20-CE-149
   Assigned 11/13/79

5. Schwab Foods, Inc. d/b/a Mooresville IGA Foodliner
   25-CA-9465-2, et. al.
   Assigned 11/14/79

6. Tri-Counties Electric
   31-RD-576
   Assigned 1/14/80

7. International Association of Machinists
   (General Dynamics, Pomona Division)
   21-CB-6688, et. al.
   Assigned 1/28/80

8. Orange Belt District Council
   (William R. Johnson, d/b/a John Plastering)
   21-CE-185, 21-CE-212
   Assigned 3/3/80

9. Jack Welsh Company, Inc.
   26-CA-7844
   Assigned 5/2/80

10. B. F. C. Corporation
    16-CA-8122
    Assigned 5/2/80

PRODUCTIVITY INCREASE

Question. The Board's FY 86 budget request represents a decrease of $5,999,000 and 37 FTE from the FY 85 levels. How do you plan to increase productivity by 5.6% (with a 5% increase in workload) and how will these cutbacks affect the above statistics?

Answer. The decrease of funds and staff for 1986 comes about because the increased caseload now expected for 1986 would come on top of the lower than expected workload we are experiencing in 1985, as well as because of the productivity increases we plan to achieve in 1986. There are various productivity plans in the different offices which handle cases.

In the Regional Offices we have provided more advanced training in several aspects of casehandling, we plan to install considerably more office automation to speed document production, and we are continuing to emphasize settlements which avoid time-consuming litigation. We are also continuing to focus on the scheduling of travel, particularly in connection with trials before our Administration Law Judges.

As for the Board itself, the filling of two vacancies will be a very important contribution to decisional production. The Board will be using techniques such as a "speed team" process which will flag those cases which can be handled most promptly, and the Board will continue to focus its attention on procedures for expediting the issuance of cases which are awaiting the opinion of a single Board Member.

MEDIAN TIME OF BOARD DECISIONS

Question. Although the median time elapsed between time of filing and Board decision dropped between 1983 and 1984, this was solely due to a reduction between the time a complaint is filed and a Judge's decision. In fact the time between a Judge's decision and the Board's decision went from 120 days in 1982 to 194 days in 1983 to 246 days in 1984. In other words the median time more than doubled in two years. Can you tell us why?

Answer. Since December 1979 eleven different persons have served as Members of the Board. There has been in that period a full five-Member Board less than 50 percent of the time. For one period of about a year, and again during the last six months, there were only three members. When there is a shifting membership of the Board of this magnitude and nature, cases posing major issues tend to get put to one side and the backlog mounts. With the confirmation of new Members appointed by the new Administration, the Board made a conscious decision to concentrate initially (in the Fall of 1983) on issuing lead decisions in certain major areas. While this action had the temporary effect of permitting the pending case load to increase somewhat, it laid a firm foundation for a later orderly reduction of the case load.

In February 1984, the pending case load reached a high of 1647 unfair labor practice and representation cases. On 1 May 1985 that figure had been reduced to 1163, a decrease of more than 29 percent. It is only natural that as the Board bit into its backlog, the decisions would involve older cases with a consequent increase in the reported median time from judge's decision to Board decision, since the time statistics are based on decisions issued in a particular year.

Question. What trends do you see over the next two years in this area?

Answer. The Board expects to be at full strength by about 1 June 1985 with the arrival of two new Members upon their confirmation by the Senate. While this may have the temporary effect of slowing down the pace of Board decisions, in the long run (assuming the Board remains at full strength) it will enable the Board to achieve a more efficient and productive level. The Board anticipates that in the next two years it should be able to achieve the historically acceptable pending case load of 400-600 unfair labor practice and representation cases.

AGENCY EMPLOYMENT

Question. Although you are planning a 1.4 percent staff reduction in 1986, according to your justification your net permanent positions will actually increase by twenty-two. Can you tell us why you are making this shift from temporary to permanent positions?

Answer. The increase of twenty-two is not positions, but an increase in actual on board employees. There is no shift from temporary employment to permanent employment. In fact, the staff years for positions other than permanent are projected to increase by 2.1 staff years.

Staff Years From	1985	1986
Full-Time Permanent Employees	2,589.5	2,550.8
Other Than Full-Time Permanent Employees	50.3	52.4
TOTAL, FTE	**2,639.8**	**2,603.2**

In FY 1985 the Agency began the year with 2,634 full-time employees. In order to achieve a balance of staff and cases we plan to continue the staff attrition into 1986. The rate of attrition has been projected which to yield the employment shown in the above chart for full-time permanent employees.

Questions Submitted by Senator William Proxmire

GENERAL COUNSEL STAFFING

Question. Although there are 16 full time permanent positions in the Office of the General Counsel, only 11 or 12 of those positions will be filled in 1986 according to your justification. Can you tell us why?

Answer. There have been 16 positions shown in the Office of the General Counsel for a number of years, but the staff has never filled all the positions. The Office of the General Counsel also includes the Office of Equal Employment Opportunity. The workload of the EEO Office does not justify filling all positions at this time, and as for the immediate Office of the General Counsel, the employee grievance handling function, which at one time was in the Office of the General Counsel, has been transferred to another office.

FULL-TIME EMPLOYMENT

Question. Last year you estimated full-time employment of 2,850 staff years at the Board in fiscal year 1985. Your current estimate is only 2,640. Why are you 210 staff-years shy of your original estimate?

Answer. It has been traditional at NLRB to adjust our staffing levels to the actual case intake as it develops. After our 1985 estimates were approved in 1984 case intake continued to fall. During 1985, where we had first anticipated total case intake of 55,000 cases, the actual intake has fallen again and probably will not exceed 45,000 cases. Therefore, we have refrained from filling many of our vacancies so as to bring staffing into a more productive balance with the workload.

DIVISION OF ADMINISTRATION STAFFING

Question. Although your initial estimate of full-time employees in 1985 for the Board as a whole was too high, you actually increased staff years in the Division of Administration above your initial 1985 estimate. You added six positions here, going against the general trend of cutting staff. Can you tell us why?

Answer. The Agency has evaluated its support services along with several special initiatives from OMB, GSA and OPM and determined that an increse in employment was necessary to respond to the various requirements. For example, the GSA space reduction program has increased the Agency's need for space management specialists and communications specialists. However, employment in the Division of Administration remains below its previous levels and in fact will decline by four staff-years in 1986.

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NATIONAL MEDIATION BOARD

STATEMENT OF HELEN WITT, CHAIRMAN

ACCOMPANIED BY:
WALTER WALLACE, BOARD MEMBER
ROWLAND QUINN, EXECUTIVE SECRETARY

SUMMARY STATEMENT

Senator WEICKER. The next agency to testify this morning is the National Mediation Board. Here to present testimony is Helen Witt, the Chairman of the National Mediation Board.

Ms. Witt, why don't you go ahead and introduce your colleagues and proceed.

Ms. WITT. Mr. Chairman, we have a short statement, just to summarize the submitted statement.

The National Mediation Board is requesting an appropriation of $6,347,000 for fiscal year 1986, that is $11,000 less than in fiscal year 1985.

There are three primary functions which the Board administers under the Railway Labor Act, and they are:

One, mediation, in connection with collective bargaining, and representation matters concerning employees in the railroad and airline industries. For this we are requesting $3,135,000.

Two, the second function relates to voluntary arbitration and the investigation of critical disputes through our emergency Board procedure. We are asking $584,000 for this item, the same amount as available in 1985.

Three, another function is the adjustment of employee grievances in the railroad industry. For this we are requesting that $2,205,000 be appropriated for referee services for fiscal year 1986 to ensure its function throughout the whole fiscal year. It is estimated that administrative costs for this function will be $423,000.

This completes our summary, and we will be happy to answer any questions.

PREPARED STATEMENT

Senator WEICKER. Thank you. We will insert your statement in the record at this point.

[The statement follows:]

STATEMENT OF HELEN WITT

MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. Thank you for this opportunity to appear before your Subcommittee today regarding the National Mediation Board's budget for Fiscal Year 1986.

The total amount requested for Fiscal Year 1986 to administer the Railway Labor Act is for $6,347,000, and a personnel complement of 58 positions, $11,000 less than is available in Fiscal Year 1985.

The appropriation for the National Mediation Board is requested for expenses necessary to administer the provisions of the Railway Labor Act, as amended. This statute was designed to provide orderly procedures for the settlement of labor disputes in the railroad and airline industries as well as questions of employee representation and to interpret agreements made in mediation.

When the Railway Labor Act was amended in 1934 it established the National Railroad Adjustment Board for the purpose of handling grievances arising under the terms of collective bargaining agreements in the railroad industry.

On June 20, 1966, the President signed Public Law 89-456, which further amended certain provisions of Section 153 of the Act. Under the Public Law, new grievances and those which have been on docket before the National Railroad Adjustment Board for a period of a least one year may be referred to a local board of adjustment. The purpose of this amendment was to reduce an overwhelming caseload of unresolved disputes pending before the National Railroad Adjustment Board.

The budget justification, as submitted, identifies the functions just discussed and the amounts requested for each. I would like to go over each one briefly.

Mediatory Services

For mediatory services for Fiscal Year 1986 we are requesting $3,135,000. These services include mediation relating to the making and amending of collective bargaining agreements, procedures relating to the selection by employees of their bargaining representatives, and a number of administrative duties consistent with statutory authority under the Act and related statutes governing railroad and airline labor disputes procedures.

Voluntary Arbitration and Emergency Disputes

The second activity of the Mediation Board relates to voluntary arbitration and the investigation of critical disputes through emergency board procedures. In these arbitration proceedings, disputes over contract formation are voluntarily submitted by labor and management to a neutral party for final and binding decision.

Emergency boards are created by the President pursuant to Section 160 of the Act. When the Mediation Board finds that a dispute not resolved in mediation threatens substantially to interrupt interstate commerce and deprive any section of the country of essential transportation, it notifies the President who may create an emergency board to investigate and make recommendations as to the settlement of the dispute.

The Northeast Rail Service Act of 1981 amended the Railway Labor Act by adding a special emergency dispute procedure for publicly funded and operated commuter carriers and their employees, Under this procedure, the President would be required, upon request of any party to a labor dispute, including the Governor of the State, to establish possibly two successive emergency boards. A public hearing is held by the National Mediation Board, to review the Emergency Board's findings to help in resolving the issues in dispute.

The Mediation Board is requesting $584,000 for these activities, the same amount as allocated last year. As in the past we will continue to hold this amount in a special category and use it only for voluntary arbitration and emergency disputes. Any amount not needed for this purpose will remain unspent and lapsed at the end of the year.

Adjustment of Railroad Grievances

When the Railway Labor Act was amended in 1934, the National Railroad Adjustment Board was created to hear and decide disputes involving railroad employee grievances and questions concerning the application and interpretation of work rules. Administrative responsibility and fiscal management of the Adjustment Board were placed with the National Mediation Board.

As indicated earlier in my statement the Mediation Board administers Public Law 89-456, which amended certain provisions of Section 153 of the Railway Labor Act.

In general, the amendment authorized the establishment of special boards of adjustment, known as public law boards, on individual railroads upon written request of either the representatives of employees or of the railroad to resolve disputes otherwise referable to the National Railroad Adjustment Board, and those disputes pending before the Board for one year.

The total of $2,205,000 is requested for the disposition of grievances by these tribunals. We estimate that this is the amount necessary to sustain a full year of operations in Fiscal Year 1986. The same amount is available during Fiscal Year 1985, given the transfer described below. It is estimated that the administrative expenses attendant to the adjustment of grievances will be $423,000.

In accordance with congressional intent to finance the adjustment of railroad grievances throughout Fiscal Year 1985, the Mediation Board has transferred to the referee services $168,000, a projected saving in mediatory activity expenditures due to deferred hirings, reduced travel spending, and a favorable reporting service contract.

This completes my statement. If you have any questions, we will be happy to answer them.

WORKLOAD INCREASE

Senator Weicker. Last year's budget justification indicated that your workload would increase. Has that occurred?

Ms. Witt. Yes; we experienced a 38-percent increase in mediation cases, as well as an increase in representation cases. This is due in large part to the 3-year bargaining cycle in the industries, and 1985 has been a very busy year in the airline industry particularly, and it is the year for railroad bargaining as well.

Senator Weicker. Why are you requesting one less full-time equivalent and a $10,000 reduction in your mediation budget?

Ms. Witt. The reduction in the budget is a combination of a number of factors. We have one less person. We have not filled one of the positions for some time. We also have one less Board member, and there are savings in the Board member salaries as well, which enable us at this point to request $11,000 less than last year, without any decrease, we believe, in our ability to perform our mission.

NORTHEAST RAIL SERVICE ACT

Senator Weicker. The Northeast Rail Service Act added section 159A, which requires emergency mediation procedures for commuter railroads, to the Railway Labor Act. What are the costs and cost increases associated with implementing section 159A, and has this section increased your workload, and if so, in what way?

Ms. Witt. The costs are encompassed in the second item, the $584,000, which is the same as last year. It is a contingency fund, and historically we have returned a balance at the end of the fiscal year. We anticipate we may return a balance this year as well, nevertheless, we feel that this amount will be sufficient to handle the emergency mediations that arise under section 159A.

Section 159A is a somewhat cumbersome procedure that involves the creation of emergency boards for the commuter lines. We have had three so far this year, and we don't know at this point how many may be required in the future.

Senator Weicker. During last year's budget hearings, you indicated that you had reduced personnel costs by reducing the number of GS–11 to GS–15 employed by the Board. Has that been accomplished?

Ms. Witt. Yes, it has, in two ways. We have lost by death or retirement two of our GS–15 mediators. We have hired two mediators this year at a GS–12 level which is lower than we frequently hired experienced people in the past.

Senator Weicker. Can less qualified employees provide the same level of service as those whom they replace?

Ms. Witt. I would not say that they were less qualified. The people that we hired were both very experienced in one or the other of the industries that we serve. They simply were willing to begin their mediation career at the GS–12 level.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record, and I thank you very much.

Ms. WITT. We thank you very much, Senator.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

UNOBLIGATED BALANCE

Mr. Weicker: In FY 1984 you report an unobligated balance of $474,000 in your contingency fund. Why was this money unobligated, and why then are you requesting $584,000 in FY 1986?

Mrs. Witt: With Congressional concurrence, this contingency fund is held in a special category and is used only for arbitration boards, presidential emergency boards and factfinding panels. Any unspent amount is returned to the U.S. Treasury. On this basis we are asking the same amount of $584,000 for FY 1986.

Mr. Weicker: In the past Congress has had to add money to the adjustment of railroad grievances account because you have to stop this activity before the end of the fiscal year. Will you be able to continue this service throughout FY 1985, and are you requesting enough funding for FY 1986?

Mrs. Witt: Yes. We expect to be able to maintain the activity for FY 1985 for the entire year. Moreover, we believe that we have requested enough money for FY 1986.

Mr. Weicker: What is the status of the litigation involving the private office space for the partisan members of the National Railroad Adjustmen Board in Chicago, Illinois?

Mrs. Witt: On April 5, 1985, the U.S. Court of Appeals for the D.C. Circuit issued an Opinion favorable to the National Mediation Board in this case (RLEA v. NMB). In affirming the District Court, the D.C. Circuit adopted the detailed opinion of the Court below which held that the National Mediation Board was not required to provide private offices for the National Railroad Adjustment Board's partisan members.

QUESTIONS SUBMITTED BY SENATOR WILLIAM PROXMIRE

MEDIATORY SERVICES

Mr. Proxmire: The Board's request next year is $11,000 below its current level of $6,358,000, and all but a $1,000 of this reduction is proposed for mediatory services. Tell us how you determine the proposed $11,000 reduction for these services?

Mrs. Witt: The Board's request for mediatory services shows a net decrease of $10,000. Our budget request indicates an increase of $120,000 for mandatory items, which is offset by decreases amounting to $130,000, of which $80,000 is for the proposed five percent pay cut.

Mr. Proxmire: The travel budget shows a slight increase of $24,000 over the current estimate of $630,000. Are these funds used solely for mediator travel?

Mrs. Witt: The current estimate of $630,000 covers all travel expenses for mediators, referees, and Board Members.

Mr. Proxmire: How many mediators are employed by the Board and where are they based?

Mrs. Witt: Presently we have 20 mediators. They are based in Washington, D.C., San Francisco, Miami, Cleveland, Boston, Seattle, New York City, Atlanta, Dallas, Houston and Minneapolis.

Mr. Proxmire: What's their average salary?

Mrs. Witt: Their average salary as of April 1, 1985, is $51,200.

NORTHEAST RAIL SERVICE ACT OF 1981

Mr. Proxmire: Mr. Wallace, you were very forthright last year in your objections to the new responsibilities authorized for the Board under the Northeast Rail Service Act of 1981. Have you articulated your concerns to the appropriate Congressional Committees over the past year? If not, why not?

Mr. Wallace: No. Our advice has not been sought in this area. We believe it would be inappropriate for us to initiate the dialogue. However, we are ready and available to offer the benefit of our experience if we are consulted.

Mr. Proxmire: Does this legislation contribute substantially to your workload? If so, tell us how.

Mrs. Witt: Yes. The enactment of the Northeast Rail Service Act of 1981 has resulted in a substantial increase in the establishment of presidential emergency boards which are paid for by the National Mediation Board. The Board also provides the members of these panels staff assistance and assumes their overhead expenses. In the past fiscal year, the President has appointed six emergency boards pursuant to this section of the Railway Labor Act. I would note that Section 159A of the Act may only be used when the dispute involves a publicly owned and operated commuter railroad. Under the Act, two separate emergency boards may be appointed over a 240-day period to resolve a single dispute. Four boards were established on the Long Island Rail Road, two to resolve a dispute involving locomotive engineers and two involving clerks. On the Port Authority Trans-Hudson two boards were appointed regarding a signalmen dispute.

BILDISCO DECISION

Mr. Proxmire: What is the inter-relationship of the bankruptcy code and the Railway Labor Act, in view of the Supreme Court's decision permitting employers who file bankruptcy to cancel their labor contracts?

Mrs. Witt: The state of the law enumerated by the Supreme Court in the Bildisco decision has been modified by the Congress. The Bankruptcy Amendments and Federal Judgeship Act of 1984 (Public Law 98-353) specifically provides that the portions concerning the rejection of collective bargaining agreements are not applicable to the railroad industry. For cases filed under the amended Bankruptcy Code in the airline industry, however, the debtor in possession or trustee must exhuast certain procedures before the agreement may be rejected. One of those steps is to "meet, at reasonable times, with the authorized representative to confer in good faith in attempting to reach mutually satisfactory modifications of such agreement." If an understanding could be worked out that permitted the Board to assist the parties consistent with its statutory responsibilities it would be willing to do so.

Mr. Proxmire: The Board handles a great number of labor disputes, as we all know. I'm curious how many of these disputes—on a percentage basis—have been settled by the Board over the past few years without a strike. Do you have any idea?

Mrs. Witt: We estimate that 97 percent of all disputes handled by the Board have been resolved without resort to a work stoppage.

Mr. Proxmire: I'm curious over the increase in the number of requests received under the Freedom of Information Act. The budget appendix indicates that 114 requests were received last year and 140 are estimated for the current year as well as fiscal 1986. Are such requests standard operating procedure for the Board? I never noticed such a reference before in the budget documents.

Mrs. Witt: Since the Freedom of Information Act was enacted on July 4, 1967, the National Mediation Board has annually received more than 100 requests for information pursuant to the Act's provisions.

NRAB PRIVATE OFFICE SPACE

Mr. Proxmire: How successful have you been in terminating the free office space for members of the National Railroad Adjustment Board?

Mrs. Witt: On April 5, 1985, the U.S. Court of Appeals for the D.C. Circuit issued an Opinion favorable to the Board, thereby sanctioning the decision not to provide private offices to the National Railroad Adjustment Board partisan members.

Mr. Proxmire: Was the litigation resolved to your satisfaction?

Mrs. Witt: Yes. We think that the decision not to provide space will be not only a saving but will cause the National Railroad Adjustment Board to work more efficiently.

Mr. Proxmire: What was the cost of this free office space last year?

Mrs. Witt: The National Railroad Adjustment Board Members moved from the free office space on March 31, 1984, at which time the empty space was released to the General Services Administration. If the National Mediation Board had paid for the space occupied by the Members for a full year, it would have cost $165,000. Since we occupied the space for are half of FY 1984 the actual charge was $82,500.

ADJUSTMENT OF RAILROAD GRIEVANCES

Mr. Proxmire: What about the current spending rate for the adjustment of railroad grievances?

Mrs. Witt: It is estimated that the spending rate for the adjustment of railroad grievances will continue at about the FY 1984 rate, that is, it will cost about $2,205,000 for referees and $423,000 for the administrative costs.

Mr. Proxmire: Congress had to appropriate an additional $600,000 last year for these referee services. Do you expect that these services can be maintained throughout fiscal 1985 without the need for more funds?

Mrs. Witt: Yes. The amount of $2,037,000 has been appropriated for referee services for FY 1985. In order to maintain these services for the full year, the Board has transferred $168,000 from mediatory services, thereby a total of $2,205,000 will be available for referee services.

Mr. Proxmire: How successful have you been in reducing the backlog of railroad adjustment cases?

Mrs. Witt: The backlog is not as serious as it appears. Many of the claims involve similar issues which could be disposed of by one award. The National Mediation Board encourages the parties to file one case and have its decision decide similar cases. However, there is no stare decisis, the parties have never agreed to be bound in other cases by the decisions of the decided cases.

Mr. Proxmire: You are requesting $2,338,000 for "special personal services payments". Is this entirely for neutral referees?

Mrs. Witt: No. That amount includes salary estimates for neutral referees, $1,958,000, and $380,000 estimated for salaries paid to members of presidential emergency boards and arbitration boards.

Mr. Proxmire: How many referee days are you budgeting in 1986?

Mrs. Witt: For FY 1986 we are budgeting 8,900 referee days.

Mr. Proxmire: How does that compare with the current year?

Mrs. Witt: It is exactly the same, 8,900 days.

Mr. Proxmire: How much are referees paid on a daily basis?

Mrs. Witt: The current daily rate for referee salary is $220.00.

Mr. Specter: In NMB's representation election procedures area, the quantity and complexity of National Mediation Board's public hearing activity has increased substantially.

Has the increase in representation election cases affected the National Mediation Board's manpower needs for fiscal year 1986?

Mrs. Witt: No. During FY 1985 we hired an additional hearing officer to help meet the increased activity in this area. We believe that no further increase in our resources will be needed.

TRAINING OF MEDIATORS

Mr. Specter: It has been suggested that structured systematic training for mediators, especially new ones, either in universities or other Federal agencies would be a worthwhile investment for National Mediation Board if it is to continue to operate effectively in carrying out its responsibilities in a deregulated environment.

Would such training decrease processing time for handling mediation cases? Representation Disputes?

Mrs. Witt: We believe that training will result in a better prepared and more knowledgeable mediator. We do not believe, however, that there is a relationship between the amount of training a person has had and his or her ability to resolve a mediation or representation case in a more expeditious manner than presently. I would note that the Board has established a training program for its new mediators and conducted a formal four-day training session in February, 1985. Also, the new mediators receive additional training from other mediators on a number of varied cases before they are assigned to work alone.

OCCUPATIONAL SAFETY AND HEALTH REVIEW COMMISSION

STATEMENT OF E. ROSS BUCKLEY, CHAIRMAN

ACCOMPANIED BY:

PAUL A. TENNEY, CHIEF ADMINISTRATIVE LAW JUDGE
LARRY HOSS, DIRECTOR OF ADMINISTRATIVE SERVICES

INTRODUCTION OF ASSOCIATES

Senator WEICKER. Next we have the Occupational Safety and Health Review Commission, and here to testify on behalf of the Commission is E. Ross Buckley.

Mr. Buckley, why don't you introduce those that you bring with you. Please summarize your statement, and your statement in its entirety will be included in the record.

Mr. BUCKLEY. Mr. Chairman, it is a privilege and an honor to be able to appear here before you to present the budget of the Occupational Safety and Health Review Commission.

I have on my right, Chief Judge Paul Tenney, and on my left, the Director of Administrative Services, Larry Hoss.

We are requesting this year a budget of $5,742,000, which represents a decrease of $401,000 over 1985, and includes a 5-percent reduction in pay and benefits. The reduction substantially will be accomplished by the 5-percent reduction in pay and benefits, as well as a substantial reduction in rent. We have reduced our space by approximately 22 percent.

Our number of cases has shown an increase over the past 2 or 3 years of approximately 10 percent a year. Our cases at the Commission level are remaining approximately the same in terms of the number of cases directed. We presently have a backlog of approximately 84 cases, and we hope to reduce that by the end of 1985 to about 70 cases.

PREPARED STATEMENT

I have nothing further. I would like to have my formal statement included in the record.

Senator WEICKER. It will be included in the record in its entirety.

[The statement follows:]

STATEMENT OF HON. E. ROSS BUCKLEY

Mr Chairman. I appreciate the opportunity to present for your consideration the fiscal year 1986 appropriation request in the amount of $5,742,000 for the Occupational Safety and Health Review Commission. This request represents a decrease of $406,000 and a reduction of four positions from the resource levels approved by the Congress for fiscal year 1985. Current expectations are that the Commission will receive an estimated 1,450 new cases in fiscal year 1985 and 1,600 new cases in fiscal year 1986.

At the beginning of fiscal year 1984, the administrative law judges had an inventory of 548 cases. By the end of that year, there were 620 cases. The Commission members had 151 cases at the beginning of fiscal year 1984 and 107 at the end of fiscal year 1984. Our goal is to reduce the case inventory during fiscal years 1985 and 1986 to a level that will allow a Commission decision to be issued within a timeframe of 4 to 6 months after a case has been directed for review.

The budget before you projects some increase in the number of cases to be brought before the Commission in fiscal year 1985 and fiscal year 1986. The increase is due in some measure to expected adjudications under the complex hazard communications standards, and a continuum of difficult enforcement cases under the new lead standard. Current rulemaking involving the asbestos standard is also anticipated to have some effect on adjudications in fiscal year 1986.

This concludes my statement. With me today are members of my staff, to answer any questions that you may have.

NUMBER OF COMMISSIONERS

Senator WEICKER. The OSHA Review Commission is provided three commissioners by statute. Is that correct?

Mr. BUCKLEY. That is correct.

Senator WEICKER. I understand the statute also requires the votes of two commissioners to take official action.

Mr. BUCKLEY. That is correct, sir.

Senator WEICKER. How many commissioners are now sitting on the Commission?

Mr. BUCKLEY. One.

Senator WEICKER. So you are inoperative at this time.

Mr. BUCKLEY. We are not completely inoperative. The act provides the Chairman the authority to assign new cases to administrative law judges so that we can continue to assign cases as they come in and to have those cases heard and adjudicated at the administrative law judge level.

We will be still in the waters insofar as getting rid of cases at the review level until such time as another member comes on board.

Senator WEICKER. Have you talked to the White House about this?

Mr. BUCKLEY. There has been one new person who has been nominated, presently pending before the Labor Committee. I have no word on when the Labor Committee will be able to take up the nomination. I have no word concerning the clearances.

Senator WEICKER. You indicated that you are planning to reduce the number of Commission regional offices from seven to four, to enable the Commission to provide service within the budget request. What was your request to OMB for fiscal year 1986, and who made the decision to close these offices?

Mr. BUCKLEY. I did, Mr. Chairman. We reduced the number of offices in order to save space and effect a reduction in rent. That will not affect the efficiency of the administrative law judges. The Administrative Procedure Act requires that if possible hearings be held as close to the site of the violation as can be, and so essentially all of our judges are traveling judges. So their actual location is not a factor.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Senator WEICKER. I have further questions for response to the record. I thank you very much.

Mr. BUCKLEY. Thank you very much, Mr. Chairman.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

Question: The OSHA Review Commission is provided 3 Commissioners by Statute.

- Is that correct?

I understand that the statute also requires the votes of two Commissioners to take official action.

- How many Commissioners are now sitting on the Commission?

- How is this going to affect the individual waiting for adjudication of their appeals?

Answer : The Occupational Safety and Health Act of 1970 provides that the Review Commission shall be composed of three members. At present, Chairman E. Ross Buckley is the only sitting Commissioner. Mr. Robert E. Rader of Ennis, Texas has been nominated by the White House to fill out the six year term vacancy that will expire in April of 1991, and Mr. John R. Wall of Bratenahl, Ohio was recently nominated to fill the second vacancy that expires in April of 1987.

Case adjudication before the Commission's Administrative Law Judges is largely unaffected by the vacancies. At the review level, approximately 86 cases are pending at this time. Unless settled by the parties, these cases cannot be decided until one more Commissioner is on board. In the meantime, the number of cases on review will rise at the rate of 4 to 5 cases per month. Preliminary work is underway on these cases so that they can be decided and issued as quickly as possible after the appointment of a new Commissioner.

Question: You indicate that you are planning to reduce the number of Commission's regional offices from seven to four to enable "the Commission to provide service within the budget request."

- What was your request to OMB for Fiscal 1986?
- Who made the decision to close these offices?
- Will you be able to provide appropriate services with four regional offices?
- What will be lost by closing these offices?
- Which regional offices are you planning to close?

Answer : The budget request submitted by the Commission to OMB for FY 1986 was in the amount of $6,241,000 which represented funding for 94 full time permanent positions.

The decision to merge the Commission's regional offices from seven regional offices to four regional offices was made by the Chairman after careful consideration of all the factors that affect such actions. From a management viewpoint, the economies that could be and are being realized by the merger of the regional offices were sufficient to implement the merger.

The merger of the regional offices will not have a negative effect upon the services provided by the Commission. Most of the Commission's regional workload (Judicial Hearings) is conducted away from the regional offices so that expenses to the parties involved may be kept to a minimum.

The merging of the regional offices is not expected to result in any loss of services provided by the Commission.

The regional offices that were affected by the merger function were New York, New York, Chicago, Illinois and St. Louis, Missouri.

Question: You have indicated a substantial drop in cases over the past four years but that case complexity has increased.

* What kind of changes have occurred in the enforcement actions of the Secretary of Labor so as to change the type and number of cases appealed to your review board?

* Can you describe and give reasons for the change in the complexity of the cases appealed to your Commission?

Answer : (N.B. The questioner apparently makes reference to paragraph numbered 2 on page 12 of the prepared statement having to do with the type and number of cases directed for review.)

The change in the type of cases appealed to the Review Commission appear to be traceable in large measure to the growing maturity of the statute which has now been effective for over 13 years. The number of cases of first impression have diminished substantially. The cases now being litigated, particularly at the review level, present largely mixed questions of fact and law in which there has been intense factual development finding expression in copious records. To illustrate, there are now cases on review before the Commission involving hazards from grain dusts, administrative and engineering controls for airborne lead and chromate, and lead exposure; the taking of precautionary steps where asbestos fibers are present in excessive levels; exposure to coke-oven emmissions; alleged violations of the "general duty" clause involving MOCA and chlorine vaporization; allegations of excessive noise; and a plethora of cases involving alleged willful violations of standards requirements.

As to the impact, if any, of enforcement actions of the secretary of Labor, the policy having predominant influence on our adjudication has been that of encouraging informal settlement of OSHA cases. This is something that was begun in the last months of the previous Administration and continued under the present one. The policy has had the effect of weeding out the easy case from adjudication. The cases now being filed with the Commission tend to be of two types: first the large and complex cases earlier alluded to and second, cases in which issues of law or fact loom large at least in the minds of the litigants.

Question: What is the average time that elapses between a filing of an appeal and the ruling handed down by the Commission?

What was the average time in 1980 when the Commission received 6,370 cases?

Answer : The average time that elapsed between the direction for review by the Commission and the issuance of a decision in FY 1984 was 29 months. Thus far in FY 1985, it is 26 months.

The average time between direction for review by the Commission and the issuance of a decision was 23 months. It should be noted, however, that the 6,370 cases the agency received in FY 1980 were cases before ALJ's. At the Commission level, 136 cases were directed for review and 221 cases were issued.

Question: In FY 1983 your agency had 113 FTE. Since then you have steadily requested fewer FTE's, losing four more in your FY 1986 request for a net total of 90, or a reduction of 20% in three years.

* How has this affected the staff moral and efficiency and do you see any long-term problems (because of this reduction in the number of employees)?

The Commission's answers to this question over the past two years centered on achieving greater efficiencies. Specifically what were these efficiencies, what are they for FY 1986 and when do you think these efficiencies will turn into deficiencies?

Answer : In FY 1983, a reduction in FTE was accomplished in part by attrition and in part by a reduction in force. Since then reductions have been effected solely by attrition; no involuntary RIF's have occurred. On the whole, these reductions have not adversely affected staff morale. However, we recognize that there is a natural anxiety at the national office (as the number of cases on review decreases, and as the Commission approaches its goal of deciding cases on a current basis) that fewer personnel may be required.

No adverse affect on efficiency has been noted at either ALJ hearing level or at the review level from these reductions.

Reorganizations were undertaken in the past two years in the General Counsel's office, in FY 84 reducing the number of Divisions from four to two divisions, and in 1985 eliminating the divisions altogether. These reorganizations have decreased the number of supervisors and have increased the efficiency of that office by increasing the number of line attorneys. We do not anticipate that any deficiencies will occur as a result of these reorganizations.

Question: You have indicated that a reduction of employees can be accomplished without disruption due to the replacement of a more efficient automated case tracking system.

* How long have you had the older system?

* How much will the new system cost, and is it in place yet?

Answer : The older system has been in place since 1976. The new system will cost about $90,000 in FY 1985 and about $35,000 in FY 1986 for the purchase of hardware and software. Additional hardware and software may be purchased subsequent to FY 1986 depending upon the needs of the agency at that time. The first phrase of installation of the new system will begin in June of 1985.

Question Submitted by Senator Mark Andrews

Question: In your testimony regarding the Commission's Budget request for FY 1986, I noted your objective of getting the period of time it takes the Commission to make a determination down to 4-6 months.

Presently, how long does it take you to issue a decision on the average?

Answer : The average time that elapsed between the direction for review by the Commission and the issuance of a decision in FY 1984 was 29 months. Thus far in FY 1985, it is 26 months.

The Commission's goal of reducing this time to 4 to 6 months may appear ambitious; however, it realistically can be accomplished in a relatively short period of sustained case production. The average time period is long statistically because of the effect on the average time of a backlog of older cases that the Commission has struggled for ten years to reduce. That backlog has been reduced from nearly 350 cases in 1981 to less than 90 today. A further reduction of 30 to 40 cases not only will allow the Commission to decide cases on a current basis, but also will elininate the statistical distortion caused by the remaining older cases on the docket.

Questions Submitted by Senator William Proxmire

Caseload Reduction

Question: Mr. Buckley, you state that the Commission plans to reduce its case inventory to a level that will allow a decision within 4 to 6 months. What's the current timeframe for issuing decisions?

Answer : The average time that elapsed between the direction for review by the Commission and the issuance of a decision in FY 1984 was 29 months. Thus far in FY 1985, it is 26 months.

The Commission's goal of reducing this time to 4 to 6 months may appear ambitious; however, it realistically can be accomplished in a relatively short period of sustained case production. The average time period is long statistically because of the effect on the average time of a backlog of older cases that the Commission has struggled for ten years to reduce. That backlog has been reduced from nearly 350 cases in 1981 to less than 90 today. A further reduction of 30 to 40 cases not only will allow the Commission to decide cases on a current basis, but also will eliminate the statistical distortion caused by the remaining older cases on the docket.

Standard Level User Charges

Question: The $114,000 reduction in next year's standard lever user charges is pretty impressive. How are you able to get these costs down from the $873,000 estimated for the current year to $759,000 in the request?

Answer : The reduction in office space costs that is projected for FY 1986 is a result of reducing the Commission's regional offices locations from seven offices to four offices as well as the reduction of office space requirements at the national office. Of course offsetting these reductions are increases in rental costs of other Commission office space. The result is a net reduction of approximately $114,000.

Grace Commission Recommendation

Question: The Grace Commission recommended that the Commissioners' staff be reduced by 8 employees in order that more reliance be placed on the General Counsel's staff, thereby reducing workload duplication. Did the Commission incorporate this recommendation into any of its budget proposals?

Answer : The Grace Commission recommended a reduction in each Commission's office of two attorneys and one secretary, and in the Chairman's office of one attorney and one Secretary. These recommendations have not as yet been effected. At present both Commissioners' positions are vacant. New Commissioners coming in will initially require significant assistance in becoming acquainted with procedures, Commission and Court of Appeals decisions and the technicalities of OSHA health and safety standards and regulations. As soon as they become adapted, it is the Chairman's intention to begin on a step-by-step basis the transfer of personnel to the office of the General Counsel.

FEDERAL MEDIATION AND CONCILIATION SERVICE

STATEMENT OF KAY McMURRAY, DIRECTOR

PREPARED STATEMENT

Senator WEICKER. Our last related agency to testify this morning is the Federal Mediation and Conciliation Service. Mr. Kay McMurray is here to testify.

Mr. McMurray, please introduce your colleagues and proceed as you wish. Your entire statement will be placed in the record.

[The statement follows:]

STATEMENT OF KAY MCMURRAY

I am pleased to appear before you and present the fiscal year 1986 appropriations request for the Federal Mediation and Conciliation Service.

The Service has as its mission the prevention or minimization of labor-management disputes threatening interstate commerce or the national defense in all collective bargaining situations except those in the railroad and airline industries. To accomplish this mission, timely and intensive assistance is provided to labor-management parties through dispute mediation, preventive mediation, arbitration services, and the Labor-Management Cooperation Program.

In recent years significant changes have occurred in the country's economic condition, in the labor relations climate, and in the Service itself. During the recent recession, the Nation experienced high unemployment and inflation rates, plant closings, bankruptcies (threatened and actual), and a great deal of concessionary bargaining.

During this period FMCS, along with all domestic program agencies, faced the need to restrain spending and reduce employment. Administrative functions in our field locations were centralized, nonmediation employees were RIF'd, office space was halved, and discretionary spending was eliminated. However, throughout this entire period, vital services were always provided to the labor-management community. This continued assistance was accomplished only by the extra work and cooperation of all of our dedicated employees.

With the improvement in economic conditions that is now occurring, one might assume that all conditions will be enhanced. However, the labor relations atmosphere may deteriorate, rather than improve. Companies may continue to ask for concessions and restraints. Representatives of labor may show less restraint at the bargaining table. Therefore, our economic improvement could contribute to more difficult and complex negotiations.

In fiscal year 1986 there will be major contracts expiring in the telecommunications, construction, aerospace, electric utilities, electronics, food, farm implements, longshore, shipbuilding, steel, glass manufacturing, and trucking industries. Strikes in these industries and other smaller, but no less essential ones, could jeopardize the economic recovery.

We, the employees of FMCS, see the challenge before us. We realize that a smooth recovery will benefit every American and we want to do our part in producing an improved labor-relations atmosphere. However, we also realize that adequate funding and staffing allocations are critical. We are aware that there will be continued need for reducing Government spending and improving management within Federal agencies, and we are doing our part in meeting these goals. We will continue a thorough examination of our programs, similar to the review of our Preventive Mediation (Technical

Assistance) Program which is now underway and the performance measurement task force study which is outlined on page 47 of our appropriations request.

Employees at FMCS consider the task of accomplishing more with less a challenge. However, we absolutely must have the resources requested in the budget to accomplish our mission and to provide appropriate assistance in dispute mediation, preventive mediation, arbitration, and labor-management cooperative efforts. We have requested only what we deem to be essential, and we sincerely hope that our request of $22,768,000 and 348 permanent positions in fiscal year 1986 will be seriously and favorably considered.

I have presented only a brief summary of our activity. I hope that you will have an opportunity to examine our detailed appropriations request and I will be glad to answer any questions you may have.

BUDGET REQUEST

Mr. McMurray. I just have a few comments to make, and then we will answer any questions you have.

We are, as you well know, here before you today with a budget request of $22,768,000, which has been reasonably well bargained with OMB. I might say that I am satisfied with the result, and we feel that we can live with that budget. It is a level budget. It represents about $1 million less than what you gave us last year, but $626,000 of the $1 million is for the 5-percent wage reduction.

We have three areas of concern. One is the supplemental request for $234,000 for the pay raise that was given in 1985. The second is the $626,000 reduction which is the 5-percent pay reduction shown in the budget. If that reduction is not enacted, we will need funds restored.

The third area of concern is that we may have to come back to request more money for station transfers. Because of the new information system that we have which gives us a much better handle on workload, it appears that we may need to transfer mediators from some stations that are low in workload to some stations that are heavy in workload. It doesn't make much sense to me to leave a $51,000 a year person where he is underutilized, and not transfer him to where you need him.

Hopefully, we can get by, but these are my chief areas of concern.

DISPUTE MEDIATION/STAFFING REDUCTION

Senator Weicker. In fiscal year 1986, the Federal Mediation and Conciliation Service, as you indicated, is expected to handle approximately the same number of dispute mediation cases.

Mr. McMurray. Yes; we are.

Senator Weicker. However, the appropriations request calls for 14 fewer positions. How are you going to handle the same number of cases with 14 less personnel?

Mr. McMurray. The 14 positions are throughout the Service. I should say this, our efficiency, based on the number of meetings held, has increased about 21 percent in the last year and a half. For that reason, I don't see any real need for additional people right now, but it is only an educated guess, Senator, because collective bargaining is different than we have ever seen it.

You know what all the influences are—world competition, deregulation, and the changing work force. The best I can give you is an educated guess. To this point, I have received absolutely no complaints from clients or from my own people that we don't have enough people to handle the workload.

Senator WEICKER. Yes; but we are talking about a budget that doesn't take hold until October, and that is when the 14 cut takes place.

Mr. MCMURRAY. The attrition is taking place gradually, and there will be no layoffs.

DISTRICT OFFICES

Senator WEICKER. At the beginning of fiscal year 1985 you consolidated 14 district offices into 12. Which offices were eliminated?

Mr. MCMURRAY. In Kansas City and Detroit the district structure was eliminated, but the offices were not closed. We just took a district director out, and the mediators are directed from another area. Field mediators in those two cities are still there.

INTRODUCTION OF WITNESS

Pardon me, Senator, for the record, I didn't introduce my Budget Director, Mary Durkin.

Senator WEICKER. It is nice to have Mary here.

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

All right, Mr. McMurray, I have no further questions for here, but I do have further questions for response to the record. Thank you.

Mr. MCMURRAY. Thank you.

[The following questions were not asked at the hearing but were submitted to be answered for the record:]

QUESTIONS SUBMITTED BY THE SUBCOMMITTEE

STAFFING

Question. In FY 1986, the Federal Mediation and Conciliation Service is expected to handle approximately the same number of dispute mediation cases and a larger number of preventive mediation cases than in FY 1985. However, the appropriations request calls for 14 fewer positions. Was this your original budget request to OMB?

Answer. No, it was not.

Question. If not, what was your request?

Answer. The Service requested $25,470,000 and 368 permanent positions.

Question. If this cut of 14 positions is approved how will your workload be handled?

Answer. We have installed improved methods for collecting workload related data, for workload analysis and forecasting, and for manpower planning. We expect to continue to gain efficiency as these methods and processes are refined. We do, however, have some concerns about one aspect of our operating costs as these efficiency improvements are gained. Our personnel reductions will be accomplished through attrition--principally through retirement of senior mediators. Although this reduces salary costs, it has the effect of increasing costs resulting from transfers in the remaining work force. Costs of transfers have increased substantially in recent years.

Question. What will suffer?

Answer. It depends on the extent to which labor-management conflict changes in intensity compared to 1985. If there is no substantial increase, we will be able to handle the work without serious problems. An unexpected "heating-up" of labor-management controversy could catch us short-handed. We don't expect this to happen, but the planned staffing level is not risk-free.

DISTRICT OFFICES

Question. At the beginning of FY 1985 FMCS consolidated its 14 district offices into 12. Which offices were eliminated?

Answer. In Kansas City and Detroit the District structure was eliminated but the offices were not closed. The district director positions were eliminated in those two cities and the mediators are supervised from another area.

Question. What were the effects of this consolidation?

Answer. The real effect of the change was to increase the span of control of the district directors in the remaining districts. This hasn't caused any serious problems.

Question. Were the services provided to the labor-management parties affected?

Answer. The services provided by FMCS were not significantly affected.

Question. Does FMCS plan to close other field offices?

Answer. As indicated, we did not close our offices in Kansas City and Detroit. However, we are now in the process of closing two field offices; one in Chattanooga, Tennessee and one in Albuquerque, New Mexico.

Question. If so, which ones and why?

Answer. The offices at Chattanooga and Albuquerque are being closed because these cities and the surrounding geographical areas can be served more efficiently from other field offices, and the two mediators located in the closing offices are needed to fill vacancies elsewhere.

Question. What will be the effect of additional closings?

Answer. We anticipate that necessary FMCS services will continue to be provided in the affected areas. The two mediators are being relocated, at government expense, to other locations at which vacancies exist.

SALARY REDUCTION - FUNDS RESTORATION

Question. This budget assumes a 5 percent reduction in salaries beginning in FY 1986. If Congress decides that the cut in salaries will not be implemented, will FMCS need funds restored?

Answer. Yes, if the 5 percent reduction in salaries is not implemented in January 1986, FMCS will need funds restored.

Question. If so, how much?

Answer. We will need $626,000 restored.

LABOR-MANAGEMENT COOPERATION PROJECT

Question. For the first time in many years, funds are being requested for the Labor Management Cooperation Project ($1,160,000). In the past the Administration did not request funds and each year Congress added them. Will the amount requested be sufficient?

Answer. These funds will enable us to fund 12-15 new projects. However, they will not be sufficient to allow us to continue existing grantees for an additional 12-18 months. This means that we will be eliminating Federal financial support for new projects to only 18 months. In this complex area, 18 months is barely enough time for labor and management to build trust and produce positive results after years of doing business in an adversarial context. I would also like to point out that we received 70 new applications this fiscal year requesting over $5 million in funding. The vast majority of these applicants will have to be turned down because of inadequate funding.

PERFORMANCE MEASUREMENT PROJECT

Question. This year's appropriations request contains a new section entitled Performance Measurement Project. Briefly describe the Project. Do you intend to continue this type of analysis?

Answer. The Project implementation began in late 1984. Presently FMCS is in the midst of workload analysis for FY 1986. This analysis is based upon many of the specific recommendations developed in the Project. While the workload analysis process may be modified as we learn from our experience, the Agency does intend to continue a systematic approach to workload and personnel planning.

EFFECTIVENESS OF FMCS MEDIATION

Question. In February 1984, the FMCS stated that it was conducting a study to more accurately measure the effectiveness of FMCS efforts in mediating disputes and providing technical assistance. What are the results of this study?

Answer. We found that essential services were being adequately covered, but that a better match between workload and staffing was needed in certain geographical areas. Appropriate adjustments are in process.

RESPONSIBILITY FOR IMPROVEMENT OF LABOR-MANAGEMENT COOPERATION

Question. Over the past several years, questions have been raised about which Federal agency, the FMCS or the Department of Labor, should maintain the leadership responsibility for improving labor-management cooperation. In what ways does the Department of Labor's cooperative program duplicate the activities of the FMCS under the Cooperation Act of 1978?

Answer. There is no duplication of activity in the area of Labor-Management Cooperation. There are some aspects of this work for which FMCS is better equipped than the Department of Labor. Primarily this involves direct interaction with the parties; for example, mediators acting as facilitators during initiation of cooperative ventures. DOL has no field staff capable of performing this work, whereas FMCS has field mediators who are both acceptable and available to the parties. DOL, on the other hand, has staff support capabilities that FMCS does not possess. A very close working relationship exists between DOL and FMCS in this area. We believe that this "partnership" is necessary in order to accomplish the most effective Federal encouragement for labor-management cooperation.

In terms of the Labor-Management Cooperation Act of 1978, only FMCS has congressional authority to provide grants specifically to support labor-management committees. The Bureau of Labor-Management Cooperative Efforts at DOL does not have grant authority. As long as they do not fund these efforts, there is no duplication of efforts.

Questions Submitted by Senator William Proxmire

BOARDS AND PANELS

Senator Proxmire: The only activity exempt from any decrease under the proposed request is the budget for Boards and Panels, which would remain at its current level of $150,000. Can you tell us why?

Answer. Boards and Panels funds are separate and distinct from regular Service funds and they are meant to be used only for specified activities--Taft-Hartley Boards of Inquiry, health care boards of inquiry, etc. Any funds that are not used during a fiscal year are returned to Treasury. So, while it may appear that this category of funding has been exempted from reduction, all unused funds will be returned.

OTHER SERVICES

Senator Proxmire: How do you account for the continued increase in "Other Services?" For example, these expenses totalled $383,000 in fiscal 1984. They're expected to rise by $54,000 for the current year and $73,000 under the request.

Answer. Because FMCS is a small independent agency, we must rely on outside organizations for certain services. If we did not have agreements to provide training, background investigations, automated data processing services, or guard services (to name a few items within this classification), we would have to hire staff to do so. We feel that by making arrangements for small contractual services, as reflected in the category "Other Services," we are saving the government money. The costs of these services continue to increase, and, therefore, our funding requests have increased.

BONUSES

Senator Proxmire: The budget includes $67,000 for incentive awards -- merit pay awards -- and Senior Executive Service rank and performance awards. Can you tell us briefly what you mean by "incentive awards" and how much is budgeted for this activity next year?

Answer. Incentive awards are presented to employees to encourage efficiency by recognizing and rewarding employees for exceptionally meritorious achievements or suggestions. In FY 1986, $37,000 is budgeted for incentive awards.

Senator Proxmire: How much do you plan to spend in this regard during the current year -- I'm speaking about the incentive awards.

Answer. In FY 1985, we expect to spend $37,000.

Senator Proxmire: What about the Senior Executive Service rank and performance awards? Can you give us a brief description of this category and tell us how much is budgeted in fiscal 1986?

Answer. Senior Executive Service rank and performance awards come under the category Performance Awards. SES employees may receive lump sum awards of up to 20 percent of base pay for meritorious or distinguished service. In FY 1986, we are requesting $10,000 for SES awards.

Senator Proxmire: How does this amount compare with the current year?

Answer. The amount is the same--we have budgeted $10,000 for SES awards in FY 1985.

[CLERK'S NOTE.—The testimony of John O'Shaughnessey, Assistant Secretary for Management and Budget, Department of Health and Human Services, appears at the end of the March 28 hearing, part 2.]

SUBCOMMITTEE RECESS

Senator WEICKER. This concludes the administration's testimony on the fiscal year 1986 budget proposals before this subcommittee. The subcommittee will stand in recess until Wednesday, May 1, at 9:30 a.m., when we will meet here in room 116 of the Dirksen Building to begin our public witness hearings.

Thank you very much.

[Whereupon, at 11 a.m., Tuesday, April 30, the subcommittee was recessed, to reconvene at 9:30 a.m., Wednesday, May 1.]

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